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MARKETING HANDBOOK FOR SHELTERED WORKSHOPS

This Handbook was written for and submitted to the U. S. Office of Vocational Rehabilitation, Washington, D. C.

Dr. C. A. Kirkpatrick, Project Director
Dr. C. S. Logsdon
Dr. R. Tillman
Mrs. H. E. Sutphin, Secretary

School of Business Administration

University of North Carolina

Chapel Hill

HV 1711
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INTRODUCTION

Successful sellers are those who: offer the right product or service, in the right amount, at the right price, in the right place, with the right service, at the right time, with the right promotion, to the right buyers. In addition to their other roles, sheltered workshops are sellers of merchandise or services. They are marketers--engaged in marketing. They face the marketing problems other sellers face. The better they cope with these marketing problems, the greater the contribution they can make to the handicapped.

This marketing handbook will help the management of sheltered workshops sell more products or services more successfully.

Dr. Logsdon, Dr. Tillman, and Mrs. Sutphin all made both general and specific contributions to the soundness and usefulness of this handbook. Dr. Logsdon developed and wrote the sections on Product Development, Sales Management, and Subcontracting. Dr. Tillman developed and wrote the sections on Marketing Management, Pricing, and Rack Merchandising. The Project Director handled the other sections.

HOW TO USE THIS HANDBOOK

This is a marketing reference manual. It was designed for use by busy executives of sheltered workshops as they face and handle their day-to-day marketing problems. When you need help or information about the spelling or meaning of a word, you usually see what a dictionary has to say about it. In similar fashion (the authors hope), this handbook will be worth referring to when you could use immediate assistance in arriving at marketing decisions.

This is a practical handbook--an operating handbook--in both organization and content. As for organization, the major marketing topics of concern to the management of sheltered workshops are arranged alphabetically. As for content, each section, self-contained and concise, summarizes the best marketing thinking on the policies and practices relating to its particular topic.

Now for two words of caution. First, do not expect each section to be of equal interest or usefulness to you and to your operation. An exclusive retail shop in New York City, for example, will ignore the section on Sales Management. Second, do not expect a complete, comprehensive treatment of any topic. After all, there are full-size books on at least two-thirds of the topics.

As soon as you can, examine the Table of Contents page to see what marketing topics the handbook includes. Read the index page for each of the fifteen sections. Get a general idea of the subject matter in each section. Then, next time you are concerned about forecasting, pricing, selling, or similar marketing matters, see what light the material in the handbook can throw on the problem.

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ADVERTISING

Before management (and that's you) should consider spending any money for advertising, management must be certain of just what advertising is. Management's concept must be right and its understanding adequate about the strengths and weaknesses of advertising, about what it can and cannot do. Your attitude toward the role advertising should play in your operation must be informed and enlightened but, at the same time, hardboiled.

In order to sell a satisfactory amount of their products or services, sellers understandably incur expense. For example, a retailer can occupy a high-rent store building--but be on a corner where there is much high-quality sidewalk traffic. Or, another example is that of a seller who cuts his prices drastically--but sells more items as a result. Or, a manufacturer hires five salesmen to call on buyers and make sales. Or, as a final example, a seller could "give" customers certain valuable services which otherwise would have to be bought. Our starting recognition, then, is that you, in some manner, must "buy" the purchases of customers. And, the purchase of advertising is one way of "buying" business.

Advertising is commercial communication, run in order to inform, to persuade, to remind buyers. An ad is quickly identified, by buyers and by sellers, for what it is--a bid for business. The advertiser decides exactly what his advertising shall say, and media are not entitled to alter this message without the advertiser's consent. An ad differs from a salesman's presentation in two significant regards--(1) the ad is impersonal communication, and (2) it tells the very same story to many buyers simultaneously or in a short period of time.

Most advertising is bought and run on the assumption that it will help increase sales volume. Most advertising is asked to pre-sell, to help sell, to pave the way for a salesman. The seller can approach this undertaking in two ways: (1) he can feature the specific product or the service he sells--what the buyer should buy; or (2) he can promote his firm or his workshop as a desirable source from which to buy products or services--where the buyer should buy. The great majority of ads is of the first type.

Dollars spent for advertising are wasted unless the ads influence buyers to do what the advertiser wants them to do. The power to persuade, thus, is an essential ingredient. Every ad hopes to cause some favorable reaction by buyers. Most advertising tries for an indirect response--it tries to establish, to encourage, to cultivate favorable attitudes in buyers' minds. It wants buyers to think highly of workshop products or services and of workshops themselves as sources of products or services. If this goal is achieved, workshops should be able to increase their sales. Only a small amount of advertising by workshops should try for a direct response. The immediate or prompt reaction desired could be a purcase, or it could be a visit to a store or shop where purchases can be made.

Getting Ready To Advertise

Advertising is not something you just up and do on the spur of the moment. Before his first ad appears, a seller needs to check on his operation to make sure that he should do some advertising and that he is ready to advertise. Checking and planning must never stop. You dare not stop them because change never stops, changes in products, in services, in prices, in buyers, in competitors' activities, in advertising media, in many other

areas. Only by continuous checking and planning can the advertiser get the most for each dollar he spends in advertising. Information, then, is the only defensible basis on which to make advertising decisions and advertising plans, information that is current, correct, and comprehensive. Unless the advertiser knows, unless he has the needed facts, he is forced to base his decisions and plans to a large extent on guesses, hunches, personal preferences and prejudices, experience, and competitors' actions.

What needs to be checked? First of all, the advertiser, being a seller, needs to check his information about his market. This market, of course, consists of buyers who can and should buy the advertiser's products or services. The advertiser needs to know who these buyers are, how many there are, and where they are. He is keenly interested in the types of satisfaction these buyers buy which can be supplied by what he sells. He tries to learn what those buyers now do about his types of products or services. He determines how customers and prospective customers can be reached best through advertising.

A second area to be checked out is that of the products or services the advertiser offers for sale. Could a physical product or its package be improved? Should his services be changed in any way? What do buyers like and dislike about his offerings? Are his prices in line with his qualities? Are there products or services which should be dropped--or added? Are there new uses or new applications to which present products or services can be put?

A third area demanding attention before any advertising is run is that of distribution channels. This matter, obviously, applies only to physical products--not to services. Workshops with merchandise for sale must decide

how best to move products into purchasers' hands. Should the shop sell direct to ultimate consumers--to housewives, for example? If goods are to be sold through retailers, should those retailers be grocery stores, hardware stores, department stores--or just what? How many retailers should stock and sell the merchandise? What does the workshop need from its retailers, and what types of services do those retailers welcome from the workshop? Should the shop try to supply large retailers (Woolworth, Kroger) with merchandise to be sold under the retailer's label or brand?

A fourth and final area to be checked on before running any advertising is that of promotion. A seller's promotion program consists of sales management, salesmanship, advertising, and sales promotion. Because this handbook contains a separate section on each of these topics, no more need be said here.

Only one point remains to be made now. As soon as an advertiser knows that all is well in the areas of markets, products or services, channels of distribution, and promotion, he needs to commit himself to thinking--forever--in terms of advertising programs. There should be an individual advertising program for each year's operation. Just as soon as next year's sales objectives have been set, the advertising program necessary to help achieve those objectives should be planned. And this practice should be followed regularly, year after year.

Ads Promise Benefits

Basically, an ad is a seller's promise, a promise of satisfaction, benefit, advantage, or a solution to one of a buyer's problems. In other words, an ad is a translation of a product or service into what that product or service does for and to a buyer.

If an ad is to do what it is expected to do, namely, to influence the attitudes and actions of buyers favorably, it must win the five objectives mentioned in the unit on Salesmanship. The ad must get the buyer's attention, stimulate his interest, intensify his desire, win his conviction, and, finally, trigger some action or reaction favorable to the seller.

What determines whether an ad succeeds in these undertakings? In large measure, success or failure depends on the specific benefit or satisfaction the ad promises buyers. Persons who work in advertising have in mind this benefit when they claim that an ad should be built upon a Big Sales Idea. If this benefit or satisfaction is selected wisely and well, then the ad stands a good chance of getting buyers to respond favorably.

Buyer-motivation is involved here just as it is in the area of personal selling. Buyers want to satisfy their own desires. They buy that assortment of products and services which, they believe, will give them the maximum total amount of satisfaction. Buyers look on advertising as one source of information about the benefits enjoyed by purchasers of certain products or services.

The key issue here is clear. Unless an ad promises a buyer something he wants, he feels that it was written for someone else--he's not attracted to reading it. Note--the effective, successful benefit or satisfaction is not what you want from the item advertised; it is not what you think the buyer should want. As the successful fisherman explained, you catch fish by baiting your hook with what fish like--not with what you like.

The subsection on Consumer Motivation is just as appropriate and as essential right here as it is in the unit on Salesmanship. It need not be repeated. We need merely to observe here that some ads promise to satisfy

basic desires--comfort, approval, welfare of loved ones, mastery over obstacles, sex, safety, superiority, survival, play and pleasure. Other ads promise satisfaction in the area of acquired desires--economy, cleanliness, efficiency, profit to business firms, convenience, quality, dependability, durability, service.

Product-promoting ads and service-promoting ads feature reasons for buying those products and services. Institutional ads for workshops feature reasons why buyers should patronize workshops, reasons such as convenience, quality of merchandise, integrity, service, location.

Until rather recently, an ad was thought to be either emotional in nature--or rational. Typical emotional ads were those based on fear, sex, pride, or social status. Typical rational ads stressed efficiency, economy, dependability, or durability. Today it is believed that a buyer is influenced both by his reason and by his emotions when making most purchases. Advertisers today build their ads on the assumption that the typical purchase is not completely emotional--or completely rational. Instead, advertisers see a few purchases as being extremely emotional in motivation--a few purchases as being extremely sensible in motivation--but most purchases ranging up and down on a scale between these two extremes. We must remember, of course, that the ultimate consumer--you--is inclined to picture himself as a rational buyer.

One final choice remains about the benefit an ad promises. The buyer can be promised that he will get something--some form of satisfaction--he wants to get. This is known as the positive approach. Or, the advertiser can promise the buyer help in avoiding something the buyer wants to avoid. This is negative approach. A tire ad, for example, can picture pleasant,

carefree touring--or a disastrous blowout; a mouthwash ad can show the belle of the ball--or a wallflower. Far more ads use the positive approach than those which use the negative approach.

Copy Should Inform And Influence

In advertising, the word "copy" refers to the reading matter in an ad, to the words, figures, sentences, and paragraphs. It includes headlines and subheads as well as the sentences and paragraphs to which they refer. The job of the copywriter is to tell buyers about benefits and satisfactions in a way which will appeal to them. So, information and persuasions are "musts" in advertising copy.

Most ads do (and should) contain headlines. Two jobs are usually assigned to headlines--(1) to get the attention of those buyers you want to influence, and (2) to induce as many of them as you can to read the smaller print, the sentences and paragraphs which constitute the "body copy" or the "text." Headlines should not be long; they should not be "cute." There is probably no type of headline superior to the promise of a benefit.

The main responsibility of "body copy" or "text" is to explain and enlarge on the headline in such a manner as to get the buyer-response the advertiser wants. Body copy gives details about the benefit promised; it describes the product's or service's features which make this benefit possible; it explains how the advertised item aids the buyer in his endless search for more personal satisfaction. Unless there is strong reason to do otherwise, body copy should state price or prices. The buyer should have no difficulty in grasping quickly what the advertiser hopes his reaction will be. Short words and short sentences help in this regard, as

do a writing style characterized by unity, brevity, clarity, coherence, and emphasis.

There can obviously be no universal formula for copywriting. Perhaps as usable an outline as any is this:

1. Recognize a buyer-problem or promise a buyer-benefit.
2. Recommend your product or service.
3. Promise what the buyer will get out of his purchase.
4. Prove your promises and claims.
5. Ask the buyer for favorable reaction.

Don't Neglect Layout

This brief reference to layout applies mainly to printed ads other than classified ads. Of course, many of the principles are equally sound for other promotional items, literature, and materials.

There are two steps in layout. In step #1 the advertiser decides what his ad will contain. A popular grouping consists of illustration, headline, body copy or text, brand name, and advertiser's name. In step #2 the advertiser arranges these elements within the ad.

An ad's layout should be sound but look attractive, it should be simple, it should invite reading. White space should be used skillfully to avoid a crowded appearance.

For other than classified ads, some sort of illustration is almost a "must." Your local newspaper can supply hundreds of stock illustrations from which to choose. Incidentally, the man who sells advertising for your newspaper will be glad to advise on various advertising problems, including layout and typography.

Advertising Media

An advertising medium carries advertising messages to buyers--for a price. In addition to the Yellow Pages in the telephone directory, the six basic advertising media are newspapers, radio, television, outdoor, transportation, and magazines. And that's just about how they rank in suitability for workshop advertising. (If you are wondering about direct mail or about point-of-purchase promotion, they are included in the unit on Sales Promotion.)

Newspapers supply just about everybody in their respective localities with news information and with advertising information. Retailers spend more in newspaper advertising than for advertising in any other medium. The typical consumer spends only a few minutes going through the day's paper and then usually discards it.

Radio, like newspapers, can reach nearly everybody, but through the sense of hearing only. This non-visual feature of the medium is much more of a handicap than an advantage. After dominating the living room for a pair of decades, radio had to abdicate in favor of television. Radio moved to many of the other rooms, appeared in volume in automobiles, and became highly portable and mobile. Radio does well with news and with music. It competes rather well with television from breakfast to lunch time.

Television became a unique advertising medium when it combined sight and sound. It is a "glamorous" medium, and its prices reflect this status. Television is a mass medium to the extent that over 90% of all homes have television receivers. Television announcements have been used, successfully it seems, by a number of workshops.

Posters and painted signs are the types of outdoor advertising of interest to workshops. These ads do not move, so their circulation--the buyers they communicate to--must come to them. These ads are impressive because of their size, often because of their color. Copy must be brief.

Transportation advertising is largely a matter of car cards and traveling displays, the latter being the advertising signs on the outside of buses or other public transportation vehicles. This is an urban medium, a mass medium, and one in which the same persons see the same ads many times.

Most consumer magazines are national--or at least regional--in coverage. This feature makes magazines unsuitable for the advertising of a workshop. Magazines are more appropriate, of course, for such groups as National Industries for the Blind and for the National Society for Crippled Children and Adults.

Scheduling The Advertising

Hit-or-miss advertising is largely wasted advertising. Occasional, infrequent advertising is rarely effective. Running a single ad can seldom be defended. To advertise only when unsolicited business falls off is equally shortsighted. So, if a seller is going to advertise, he should do so according to a plan that provides for enough advertising.

The scheduling problem is clear. Each advertiser wants the maximum amount of coverage, and the maximum amount of frequency. But, the more he gets of one, the less he can have of the other--unless, of course, he increases the size of his advertising fund. Coverage is the number of prospective customers reached by the seller's advertising. Frequency has to do with how often his ads appear each week or each month.

Coverage raises two questions. First, how many media should the advertiser use? If there are two newspapers in his city, or if there are three radio stations, should he use both newspapers, or all three radio stations? The more media he uses, the more coverage he gets. The second question asks how large (or long) each ad should be. A quarter-page ad is seen by more buyers than is an eighth-of-a-page ad, and a 60-second commercial reaches more than does a 20-second one. But, the greater the number of media used, the greater the pressure to buy the smaller, the shorter ads.

As indicated, coverage affects frequency. The more media an advertiser uses and the larger, longer ads he runs, the greater is the pressure on him to schedule his ads farther and farther apart.

Unfortunately, there is no formula to tell a seller how he should schedule his advertising. Clearly, any schedule he plans must be a compromise. One conclusion at this point is to repeat that scheduling deserves careful thought, attention, and experimentation. Another observation is that the need for continuity, the need for successive ads to be close to each other, is great.

Advertising Coordination

Advertising is not an isolated, independent, unrelated activity. For practically all workshops, it is only one element in the promotion program, the two other elements being personal selling and sales promotion. There is loss of effectiveness unless advertising is synchronized with other phases of workshop operation.

Advertising needs to be coordinated with personal selling. Salesmen should know what advertising is planned, why it was planned as it was, and

what the advertising is to accomplish. It is particularly desirable for salesmen to know the nature of the advertising message. If salesmen and ads promise buyers the same benefit at the same time, each helps the other and is helped, in turn, by the other.

Advertising needs to be coordinated with sales promotion. Indeed, direct mail promotions and point-of-purchase materials are, in a true sense, types of advertising. Exhibits are sponsored by various shops, and a group of ads can be a part of such. Window displays and other retail displays help make a shop's advertising more productive. Incidentally, efforts of a salesman are quite influential in getting retailers to install such displays.

Regardless of whether a firm or an institution has a public relations department, it must have good public relations, and this is a matter closely related to advertising. A workshop's advertising is one determinant of the image of the shop held by the public. Advertising helps mold the public's attitude toward the shop. Then there is another relationship. If there is anything wrong with the shop, if there is any phase or feature which should be corrected or improved, advertising effectiveness is less than it otherwise would be. If all is well, if relations with all publics are sound, the advertising benefits. Advertising then has a suitable subject for institutional ads.

Finally, advertising and production need to keep in touch with each other. Production must be adequate to fill the orders which result from the promotional efforts of advertising, personal selling, and sales promotion. Advertising must make no claims unless products and services are able to deliver on those claims. Once in awhile, the production staff is

able to supply a copy story--a big sales idea on which to build an advertising program.

Advertising Budgets

If advertisers knew how to measure the effects of advertising, then that matter of evaluation would be our concluding advertising topic, and budgets would be our next-to-last topic. Unfortunately, very few advertisers can determine just what they get for the money they spend in advertising, and the typical workshop is not one of those few. Since this most basic problem refuses to be solved, we end our comments about advertising on the second most basic problem, namely, how much to spend for advertising.

Our starting observation is that advertising should be planned advertising--budgeted advertising. Each advertiser needs to design his own advertising program and to use it (1) as a schedule to follow, and (2) as a control. It is so easy to spend too little--it is even easy to spend too much. When he spends too little, the advertiser sets up for himself too small an undertaking; he is asking a boy to do a man's job. When he spends too much, the advertiser is, in effect, pouring the excessive portion of his advertising fund down the drain; his circumstances would have been better had he spent less. So, even though he cannot tell with precision how much he should budget for advertising, each advertiser must always be trying to avoid spending too little or too much.

How large should the advertising fund be? A truism, of course, is that the seller should budget enough money to do his advertising job--no more--no less. Need should set the size of the fund. But how much advertising do you need? That's difficult to say. A two-step approach which can be recommended is this. First, set your sales forecast (or income

budget, or revenue forecast) for next year in dollars. This is your most basic of all budgets. And, whether you want to or not, you cannot avoid at least speculating about what this figure will be. Second, predict as accurately as you can how much personal selling, how much advertising, and how much sales promotion you will need to buy in order to "make" or achieve the sales forecast. For young shops, the figures of older shops will be helpful. For the older shop, its own figures and its own experimentation, year after year, are informative and serve as guides. Admittedly, this is not much help. But, you must remember that no advertiser can disprove the accusation that he is spending only one-half as much as he should--or the accusation that he is spending twice as much as he should--for advertising.

The common budget period is the calendar year. Within this period, the advertising fund must be broken down by product or service, by advertising medium, and over time. Common practice in respect to time is to set up an advertising schedule or curve which matches the sales curve. For example, if the month of December produces about 15% of the year's sales, December should get about 15% of the year's advertising expenditures.

All proper expenses--only proper expenses should be charged against the advertising budget. Price lists, annual reports, recreational activities, and free goods are examples of items which should not be paid for out of the advertising fund.

The management of a shop's advertising should be characterized by adequate flexibility and by adequate year-after-year consistency.

Some shops economize by doing cooperative advertising with civic groups and with private organizations. Others benefit from free space and time contributed by generous advertising media.

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COMPLAINTS AND THEIR HANDLING

All sellers must deal with complaints from buyers. So, you and your salesmen might as well resign yourselves to hearing complaints as long as you sell products or services. This section is written to one of your salesmen; the buyer is a retail customer of his. The principles recommended, of course, can be adapted to other situations--even to your handling of all complaints filed with you.

What Buyers Complain About

Some complaints relate to products. A defective or damaged product certainly entitles the buyer to be unhappy and to expect adjustment. If, by accident or carelessness, the wrong merchandise is sent to a retailer, you should (and will) hear about it. If the correct merchandise arrives late, the result is an irritated customer. Even when a buyer expects more from a product than he has a right to expect, his disappointment may cause him to complain.

Prices are a basis for complaints. You and everybody else, including your customers, automatically and universally are inclined to feel that all prices are too high. Retailers are much more likely to blame you rather than themselves if your merchandise does not sell well. And, one of their common complaints is that your products are simply overpriced.

The area of personal selling contains bases for complaints. Some retailers will accuse you of overloading them with too much merchandise. Some will accuse you of neglecting them. Some will claim that you misled them. Others will argue that you could be of more help and service.

Incorrect invoices or statements are legitimate grounds for complaints.

There are, to be sure, other complaints. But these are enough to mention for our purposes.

Your Attitude Toward Complaints

How you view complaints and how you react to them is quite important. If a recent sale is involved, you certainly want it to stay "sold." If a retailer's future patronage is involved, you certainly want to hang on to it. You do not want an angry ex-customer telling about his experience when he was buying from you. Finally, in some cases, your handling of the complaint can convert the complainer into your loyal, enthusiastic fan. This does no harm at all to your public relations.

What, then, should be your attitude toward complaints? It should be a combination of regret and welcome. You deplore the unpleasantness, the inconvenience, the failure of things to work as you hoped they would work. At the same time, you are glad the retailer made a complaint rather than sulked in silence or even cut you off as a supplier without telling you why. You are glad he complained to you--not just to others. You are glad when he calls your attention to some needed change, perhaps in product, perhaps in service.

But, while you welcome complaints, while you are friendly and understanding, while you are anxious to please your retailers, at the same time you want to prevent just as many complaints as you possibly can. How do you prevent complaints? By having a sound operation. Sound products, sound prices, sound selling, and sound service are the answers.

Steps In Handling Complaints

Here is a suggested procedure for handling complaints. It, of course, is not suitable for every complaint, but it will be effective in the great majority of cases. And, it can be adapted satisfactorily in most of the other cases.

Step #1. Acknowledge the complaint at once and thank the buyer for calling it to your attention. Listen to the buyer, giving him what is obviously your careful and complete attention. Urge him to tell his side of the matter. Encourage him to talk himself out--to "get it off his chest." In this phase, be certain the buyer feels your sympathetic interest and concern. Only if you are this type of listener will you grasp his story and understand just why he is complaining.

While the buyer is presenting his side, be courteous. Don't interrupt. Don't act as though the buyer is in the wrong. If your behavior implies to the complainer that he is on the defensive, he is likely to take the offensive and become really tough. Above all, don't, don't argue. Instead, express regret for any inconvenience, expense, loss, difficulty, irritation, or disappointment.

Step #2. Your job in this step is to establish facts. Ask--investigate--examine. Inspect the product claimed to be defective or damaged. Take a look at the invoice claimed to be incorrect. Verify the retailer's claim that someone else's order was delivered to him.

Throughout this step, stress your determination to be fair. If you will identify the points on which the two of you agree and then emphasize those points, you will appear at least somewhat as an ally. Be positive, not defensive; be calm and confident, not embarrassed nor nervous; be friendly

and receptive, not hostile nor suspicious.

Step #3. Locate the fault as accurately as you can; place responsibility as definitely as you can. In most cases, the party at fault is (1) your workshop, (2) a transportation line, (3) you, or--yes--(4) the buyer himself. Remember, the buyer is often biased, he is not often inclined to blame himself.

Step #4. This is the action step. Here you do something, you handle the complaint, you try to satisfy and make a friend of the retailer.

Because speed means much to the retailer, because he wants prompt or even immediate action, he often expects you to handle the matter then and there--on the spot. And, many times you stand to benefit from such quick handling. You, clearly, are in the middle--between your shop and your customer. You want to be loyal to both, but often you can satisfy one only at the expense of the other. It is understandable, at least, if you tend to favor your customer.

Whatever you give the buyer should be given cheerfully. Be gracious and generous if you are at fault; be tactful and kind if the customer is at fault.

What about unreasonable, unjustified complaints? Fortunately, there are not many of these; sound selling by you and good relations with your retailers will help to reduce the number of these unfair complaints. Politeness and firmness are called for here. You must be diplomatic in your treatment of the retailer--but you must be fair to your workshop, too. You should make every effort to observe shop policies and procedures even in these unwarranted situations. The more serious cases should, of course,

be passed up to your boss for handling. Occasionally he will have to grant an unjustified request.

Step #5. After you have handled the complaint, try to resell the retailer if that seems desirable and possible. Remind him of all past dealings which have been pleasant and advantageous to him. Capitalize on any feature of your adjustment which was generous or favorable to him. Take any steps you can to prevent future complaints. Sell the retailer on remaining one of your customers.

Step #6. Report the complaint and your handling of it to your boss. Follow through on any future action you promised.

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CREDIT AND COLLECTION

To a buyer, his credit is his power to buy now without paying now. To a seller, credit is what he accepts from a buyer instead of cash. To both buyer and seller, collection is the unpleasant, the distasteful attempt to get a buyer to pay what he has been owing to a seller--too long.

We frequently hear (or even use) the phrase, "Some sellers extend credit to buyers." That thinking is not correct. Sellers accept credit from buyers--sellers do not extend credit to buyers. If a retailer buys $100 worth of merchandise from you on credit, he leaves with you, as a pledge, $100 of his credit fund. At the moment of purchase, his credit rating drops by the $100 worth of credit he turns over to you. Later, when he gives you a check (or cash) for $100, he, in effect, redeems his credit pledged with you. You take his $100--and return to him his $100 worth of credit. At that moment, his credit rating increases by $100.

This unit on Credit and Collection assumes your shop to be the seller, and a retailer (grocery, hardware, etc.) to be the buyer. The type of credit involved is mercantile or trade credit, and the retailer's account is usually an "open book" account. When you sell to retailers on credit, you actually supply part of their working capital. You help finance their inventories and their accounts receivable. A feature not to be overlooked is that you have dollars invested in your accounts receivable--month after month.

Credit

Credit Information You Need

Before you open a credit account for a retailer, you must ask these three questions:

Can that retailer pay for what he will buy?

Will that retailer pay for what he will buy?

What maximum credit limit should I give him?

These questions must be answered for each retail account because retailers vary in their ability to pay, in their determination to pay, and in the most they should be allowed to owe you at any one time. Before you can answer these questions, you must have facts.

You need information about the retailer's capital circumstances--about his financial situation and strength. You need a picture of his assets, his liabilities, his net worth. No retailer is solvent unless his assets are greater than his liabilities. No retailer is liquid unless there are dollars today to pay today's bills.

You need information about the retail firm's capacity--of its ability to sell a satisfactory amount of merchandise at satisfactory prices. The sales and earnings records of the store can suggest what future sales and earnings may be. Respectable capacity reflects sound, successful, able management.

The personal character of the retailer himself can be an important credit factor. You prefer to deal with merchants who are honest and trustworthy. You hope your credit customers have a fierce determination to pay their debts. Why? Because they think it is right to pay what they promised

to pay. The greater a buyer's sense of obligation and integrity are, the less moral risk he involves.

These three credit influences, capital, capacity, and character, must be considered in the light of whatever circumstances are current. For example, your competitors' policies and practices of the moment affect your policies and practices. The present stage of the business cycle, too, must be known and respected. You can defend certain actions in bad times which you would have difficulty defending in good times. A third consideration is the safety-risk standard you are observing for your credit sales. Here you determine the minimum safety standard--the maximum risk limit you dare accept. A fourth and final matter is your current policy on collection. The stricter you are being in collecting what is owed to you, the lower you can consider setting your safety-risk standard.

Sources of Credit Information

Your retail customer is, himself, a prime source of information about his own credit rating. The National Association of Credit Management has designed a Financial Statement Form you can ask him to fill out. This form supplies you with a vast amount of credit information; it features the balance sheet and the profit-and-loss statement.

Many manufacturers ask their salesmen to collect certain credit information on prospective retail customers and on present customers. By nature, of course, the typical salesman is not a natural credit reporter. He has, however, a vital and continuing interest in retailers' credit and in your management of your shop's credit sales. And, your salesman gets to visit with a retailer, knows him as a person, can "size him up," sees his

store in operation, and can sense how his business is going. (Incidentally, don't, don't overburden your salesmen with credit and collection matters; after all, they are salesmen.)

Your own records contain valuable credit information about present customers and former customers. This "in-file" information is, as the term suggests, contained in the file you set up every time you open a new account. Prominent in this file is the customer's ledger record.

Then, of course, there is Dun & Bradstreet, Inc. This credit-reporting agency reports on the credit standing of the retailers (wholesalers, too) of interest to you. Twice a year the agency issues credit reference books, state by state, in pocket size. Credit managers and salesmen make much use of these handy and informative reference books.

As for miscellaneous sources of credit information, there are banks, attorneys, public records, references supplied to you by retailers, and other (usually non-competitive) sellers.

Three Credit Management Suggestions

Credit information has both quality and quantity. So, always be trying to get the proper amount of each, avoiding too much as well as too little. Quality asks how good your information should be; it asks if the information is accurate, current, basically relevant. Quantity asks how much information you should collect. Much information can demand much time, much money, and can cause some retailer resentment; the big plus point is much safety. Less information is more speedy, more economical--and more risky.

A second suggestion is that credit management be seen as having two major objectives. One is to maximize sales; the other is to minimize credit

expenses. Credit expenses include clerical costs, interest on capital invested in accounts receivable, collection costs, and bad debts. If your credit management is too lax, you maximize sales volume but you reduce the percentage of accounts receivable you collect. If your credit management is too strict, you hold sales down so low that sales volume and earnings suffer. One is reminded here of the credit manager who expected a raise because he had held bad debt losses down to $100 for the year. Instead, he should have been fired--and he was.

Finally, do recognize that credit and credit management demand continuous attention and analysis. The management of a retail store can change. Market potentials sometimes increase--sometimes decrease. The business cycle is often going up--or down. Competition and prices, situations and circumstances are always changing. Any one retailer can improve, or he can slip as a credit risk as time passes. So, check each credit customer's credit rating regularly and revise his credit limit if that should be done. Try to anticipate changes in his credit condition before they take place.

Collection

Because a period of time passes between the date of a credit sale and the scheduled date of payment, some of your credit customers will not pay you all they owe you when they owe it. Yet, credit sales become actual sales only when the buyer pays for the merchandise he bought. Unless you get the money due you, you're not selling merchandise--you're giving it away.

When does the collection period start? The moment the credit period runs out. If a retailer agreed to pay you on or before May 10 but does

not, the collection period starts May 11 because the account becomes past due on May 11.

Why Don't Customers Pay?

Time explains why cash selling poses no collection problems whereas credit selling does. Time means changes, uncertainties, faulty predictions, risks, mistakes, and disappointments. For example, retailers fail, they suffer moral collapse, they die. You, like other sellers-on-credit, need to learn (usually from trial and error) what usually works in each type of situation. Here are seven situations:

1. The retailer did not understand your credit terms. The best way to prevent this is to see that all details are clear to the buyer at the time of the first sale. Incidentally, weak personal selling sometimes leads to this type of misunderstanding. To land a "first" order from a prospective customer, a weak salesman may whisper to the retailer that "you can pay us whenever you want to and that will be all right."

If the buyer does not understand that he owes you as much as you claim, then a check of purchases and payments is indicated.

2. Because his balance owed to you is small, the retailer prefers to postpone payment until it is larger. This is a tough one for which there is no magic answer. Vigorous collection attempts would cost you and irritate the customer. Maybe this is one you simply have to learn to live with.

3. This retailer is slow pay because that is his habit. Seldom does he pay any supplier until he has received one or more collection notices. This situation calls for considerable and firm collection effort. You may be wise to check the expense of selling to this account against the

gross margin you make on it. This type of retailer can easily be unprofitable as well as unpleasant. In the extreme case that the retailer is not interested in having a good credit rating, you must be rough and even use threats. Being gentle just won't work.

4. Some customers are merely careless. They shouldn't be--but they are. When a customer overlooks or forgets, remind him. He won't mind.

5. Every now and then a buyer simply runs short of cash for the moment. Maybe he overbought, maybe his accounts receivable paid in below expectations, maybe he suffered from some accident, maybe something developed unexpectedly. Your first interest in this type of situation is to verify the tight condition and then to learn why it developed. Your next interest is to adjust the debt--to extend the pay period if at all justifiable. But, don't be too lax with these retailers. Might give them ideas.

6. What about the store which is experiencing rough going? Maybe the management has deteriorated. Maybe the market has shrunk. Maybe the retailer is folding because of other causes. What do? The basic question here is whether or not the retailer can become profitable in a reasonable period of time.

7. What about retail customers who turn out to be crooks? Write them off. Turn them over to a lawyer or to a collection agency--quickly.

Collection Goals

The goals of a collection program constitute a real challenge. You are forced to compromise here because to gain in one area, you have to give up in another. For example, you can have retail goodwill and economy--or prompt collection. You can't have both.

What do you want (ideally if unrealistically) from your collection activities?

1. Payment, full and immediate, for past sales.
2. Retail goodwill--so good, in fact, that the retailer will continue buying from you.
3. Reduction of the number of accounts which will become past due.
4. Economical collection.

Collection Considerations

One major consideration in your collecting is your credit standard, already mentioned. If you are liberal in accepting credit from retailers, then you must be strict in your collecting. The reverse, too, holds. The stricter you are when selling on credit, the less aggressive you will need to be in collecting.

You are in trouble if both policies are the same. If both are too liberal, you suffer from too many bad debts. If both are too strict, you suffer because you restrict sales volume too much and you generate too much customer ill-will.

A second consideration is the nature of your customers. Retailers are businessmen; they often sell on credit as you do. They understand (at least much better than housewives do) your need to get paid for what you sold. What you need to do is make clear to each at the time of the first purchase what your credit policies and practices are. Spell out your terms of sale, and be positive in assuming that they will be observed. As for collection, if it is sloppy, retailers may wonder if your management, too, is sloppy--even if your merchandise is of questionable quality.

A third consideration is the need for a system which keeps you currently informed about your collection circumstances, a system as routine, as mechanical, as automatic as practicable. A prerequisite here is adequate records. Incidentally, office equipment suppliers can work out with you just what records are best for you.

One good practice when your accounts are few is for you to inspect your retailers' ledger sheets or ledger cards periodically--maybe once a week. Another is to have some employee put on your desk each day information on retailers who have just become delinquent.

However you learn about a past-due account, you want a procedure which insures prompt action on your part. The longer past-due accounts remain unpaid, the fewer dollars you will collect on them, the more retailers will quit buying from you, and the higher will be your collection costs. So, arrange to take that first collection step at once.

Finally, capital and competition are considerations already mentioned. The tighter your working capital situation, the tighter must be your collection policy. And, the weaker any retail customer is in respect to his capital, the more aggressive must be your collection efforts. As for competition, you are under strong pressure to collect pretty much as your competitors collect.

Collection Techniques

Is there an ideal, standard program for collecting your past-due accounts receivable? Unfortunately, no. You must be guided by your best judgment and by experience. You must always be tailoring and revising your collection machinery to fit your own changing circumstances.

MARKETING MANAGEMENT DELIVERY

Four decisions face you. First, you must decide what collection attempts, activities, and actions are suitable for your use. Second, you must decide how many of these activities to use in each collection case or each type of case. Third is the sequence and fourth is the timing of these activities. Sequence usually runs from mild to harsh; timing usually calls for shorter and shorter time intervals between collection efforts.

Collection efforts can be classified into three groups, each of the three differing from the others mainly according to the amount of pressure you exert.

Group I consists of tactics which are mild, gentle, and impersonal. Most of you send out an invoice covering each order, and then send a statement covering a month's purchases. When this statement becomes past due, your collection starts with Group I techniques; these are mailings of various sorts.

The purpose at this stage is to remind. So, the very first mailing may be nothing more than a carbon copy of the initial statement, or a duplicate stamped "copy." Then, still another copy of the statement can be sent which has a sticker on it, or a note, or a rubber-stamped message such as "Please!" or "Past Due."

Then, still in Group I, are the form letters. Here are three examples of approaches used in this impersonal correspondence:

"Did you get the statement we mailed to you?"

"Is something wrong? If so, won't you tell us?"

"We don't understand why we don't hear from you."

Group I tactics are low in pressure and low in cost. They do little damage to customer goodwill. They are effective for most of your delinquent retailers.

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Group II tactics are stronger, more personal, and more forceful than are those of Group I. Personalized, tailored letters appeal to the customer's pride, sense of justice, sympathy, and self interest. Letters may be sent special delivery or even registered. Telegrams and telephone calls may be used. The delinquent merchant may be called on in person-- the person usually being the salesman who sold the merchandise. The salesman, understandably, wants future purchases from that same retailer. He, the salesman, can determine why the retailer still owes. He can discuss the matter with the retailer in the hopes of working out some solution.

Group II efforts are fairly expensive; they destroy some customer goodwill. Happily, most delinquents respond to Group I tactics, leaving a relatively small number of retailers to get your Group II treatment.

When the first two groups fail, you have no choice but to call down the harsh, drastic, expensive, legal techniques of Group III. Turn the account over to a collection agency (Dun & Bradstreet operates a collection service), or to an attorney for collection, or sue. You won't be selling much to these Group III retailers in the future.

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DELIVERY

Most buyers expect most sellers to be able to deliver what they sell. Because delivery is a customer service, it can be an important influence on your relations with your customers. A good delivery reputation helps you sign up new customers; a good delivery record helps you hold them. Clearly, delivery is a basis on which you compete against other sellers.

Delivery involves what and when. What involves the specific items the buyer requested and the correct amounts of each. When asks a simple question: Did the merchandise reach the buyer by the time it was promised to him--in good condition, too?

This unit assumes the seller to be one of your salesmen and the buyer to be a retailer who stocks and sells your products. The principles recommended are, of course, sound and adaptable if you sell to wholesalers, to purchasing agents, or to ultimate customers.

The rest of this unit examines (1) order writing, (2) order filling, and (3) delivery.

Order Writing

Sound delivery starts with accurate order writing. The order your salesman writes up should consist of what the retailer wants. (If the salesman's selling has been sound, what the retailer wants is what the retailer should buy.) Incidentally, if the order is too big, the retailer realizes quickly that his stock is too large. If the order is too small, the retailer sells the merchandise--and then is out of stock until the next shipment arrives.

So, the order your salesman writes up must be correct. It can and should be checked with the retailer item by item or line by line if that seems desirable.

Order Filling

When your salesman's order reaches your workshop, it probably is handled in some such sequence as this:

1. It is received, opened, and dated.
2. It is authorized; the retailer's credit is OK'd.
3. It is recorded for sales control, for inventory control, and, perhaps, for production control.
4. It is filled. The merchandise is assembled, checked, packed, and marked for delivery.

Whatever procedure you follow in filling orders, speedy filling is essential. If shipment is postponed or if items are back-ordered, your salesmen and your customers will be irritated. Speed of handling can often be increased if handling is standardized and made routine.

Accurate filling is equally essential. Accuracy is a matter of the items the order calls for (correct merchandise) in the amounts called for (correct count). If the retailer ordered something but does not get it--that's bad. If the retailer receives merchandise he did not order, he will return it--and that's bad. Relations between salesman and retailer are strained--and that's bad. Relations between salesman and you are strained--and that's really bad.

Your salesman is not adequately informed until he knows (1) the route his orders take, (2) who fills them, (3) how long this takes, and (4) how to get a "RUSH" order processed.

Delivery

Retailers expect your delivery service to be prompt, frequent, and economical. They assume that packing and handling will be such that your merchandise arrives in good condition.

Progressive retailers are interested in increasing their merchandise turnover, in turning their stock a greater number of times each year. Because merchandise turnover is net sales divided by average inventory, one approach to a higher turnover is through a reduction in inventory. And, one approach to lower inventories is the frequent placing of small orders.

What does this mean to you? Retailers want you to do some of their storage for them. By so doing, you allow your retail customers to keep their inventories (and their investments in stock) low. To do this, you must be able to deliver small orders to them quickly, often, and dependably.

Reliability in your delivery operation cannot be stressed too much. Because this is true, your salesman must be careful, conservative--even cautious in promising delivery. In this regard, delivery resembles order filling--tardy delivery causes you the same types of headaches inaccurate order filling causes. Whereas punctual delivery encourages goodwill and repeat buying, late delivery can disrupt retailers' plans and thereby cause irritation, dissatisfaction, and resentment.

Adequate stock on hand, correct order writing, speedy and accurate order filling, and dependable transportation contribute much to satisfactory delivery service.

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MARKETING MANAGEMENT

Since everything in this handbook is concerned with marketing management, you may wonder why this section is included. It is here to help provide a bird's-eye view of your whole marketing management task and to bring all the parts of the marketing job into coordinated perspective. Each of these words is of critical importance to your success in managing the marketing activities of your workshop.

1. You need perspective, a broad view of all the marketing elements, to appreciate the range of the task. You need to see marketing as a combination of many elements: products, packages, advertising, personal selling, managing the sales force, public relations, and pricing, to name a few.

2. You need coordination of these elements so that all work together toward a common goal of effectively distributing the output of your shop.

This section of your handbook, then, will review the whole marketing job and will focus on some of the problems in effective marketing management.

Your Three Management Responsibilities

In marketing management, as in all other management, you have three areas of responsibility. These are: (1) planning, (2) organization, and (3) control. These three jobs are basic to any management task. You must plan the direction your marketing program will take and the goals you hope to achieve. You must organize the resources available to you to carry out that program. And you must keep control of your progress to avoid getting sidetracked from your marketing mission.

Each of these responsibilities is of equal and crucial importance. The best of plans is useless and sterile without an organization capable of

carrying it out. The finest organization, in turn, cannot function effectively without the direction that planning provides. Control is the mechanism of keeping your plans realistic, your organization alert, and your marketing program "on course."

Planning

Your planning activities involve deciding what you are going to sell, to whom those products will appeal, where you are going to sell, how you are going to reach the customers, when you will offer your products and when you will change your product offerings, and how much you can expect customers to pay for your products or services.

The Marketing Job

Stated most simply, the marketing job consists of trying to satisfy a particular group of consumers with either a product or a service. In America consumers are free to buy the product of any manufacturer. A manufacturer can go through all the motions of planning a product and making it available for sale, but these activities are of little use if the consumer decides that the product is not a good buy.

Your planning, then, involves two kinds of plans:

1. Planning your target market--selecting a group of people (housewives, manufacturers, etc.) to whom you will appeal.
2. Planning your market mix--selecting the combination of marketing elements to include in your offer.

This market mix requires choosing both the elements and the proportion of each element in the total mix. It's a little like cooking...you can change the mix by adding or subtracting ingredients. Your goal, as you select your marketing program, is to be "right" on six points:

You need to have:

1. The right product, available at...
2. The right place, and at...
3. The right time, sold at...
4. The right price, by means of...
5. The right promotion, which is directed to...
6. The right people.

Now because we live in a free society, let us recall that what is right is determined by and only by your prospective buyers. Everything you do in marketing must be oriented towards being right...satisfying...appealing... to your buyers.

Your Marketing Mix

The major elements of marketing mixes can be grouped into four broad categories: (1) Product, (2) Place, (3) Promotion, and (4) Price. We can list the more important of the elements, and by doing so will begin to get the perspective of the total marketing job so vital to successful merchandising.

Product Matters

1. The design, quality, sizes, and nature of what you plan to sell.
2. The packaging materials, shapes, and designs.
3. The brand name you place on your products.
4. The services you include such as delivery, credit, repair, installation, etc.

Place Matters

1. The way you will reach customers, directly or through retailers.
2. The kinds and number of retailers you will use, if any.

3. The kinds and number of wholesalers you will use, if any.
4. In what places (parts of the country, or region, or state) you will sell your products.

Promotion Matters

1. Personal selling. Getting, managing, and keeping a good sales force.
2. Advertising your products. How, where, what you will say, how much you will spend.
3. Sales Promotion activities you need to conduct.
4. Publicity, and its role in your shop's marketing program.

Pricing Matters

1. Setting the right price to prospective buyers and to the middlemen who carry your products.
2. The price structure you need to meet your marketing goals.

This, then, is a list of some of the possible elements in your marketing mix. You may use all of them; you may decide to emphasize one of them and drop others. For example:

> You may count on a low price to sell your product and cut back on the promotion elements.

Which elements you use, and in what proportion, depends on both your customers and your competitors. Certainly this much is true: you need to consider all available elements before designing a new marketing program or revising your present mix.

Retailers, as well as manufacturers, have marketing mixes. If you manage a retail outlet for your workshop, you have to consider matters of product, promotion, price, and (somewhat more rarely) place. Your product matters involve not only the merchandise lines you sell, but also such special items as store hours, services (like credit or delivery), and store appearance. Your price and promotion matters are similar to manufacturers'

market mix questions. Your place decisions must be carefully made, since you don't plan to move your store often.

Planning Methods

If one of your major marketing management functions is that of planning, and if there are so many elements to be planned in a marketing program, how do you go about it? Here is a five-step planning guide which may prove helpful:

1. Defining your goals is the first step. Until you decide where you are going, or why you need a marketing program, you cannot plan effectively. Certainly your marketing goals must be in harmony with the rehabilitation goals of your shop, and must take into account the skills available for production. Your goals will probably involve both volume goals (if you seek to offer steady employment opportunities) and profit goals (unless you have unlimited subsidy funds).

Short-run goals may be easier to set, but must be created in the light of your overall, long-run goals. You may seek, for example, to equal last year's sales; or you may want to increase by 10%, say, over last year's sales. You cannot begin to plan until these goals are clearly defined.

2. Listing alternatives is the second stage of the planning process. In marketing planning this involves looking over all the elements available to you and considering several combinations of these elements. Thus:

   a. You may sell door to door using handicapped salesmen who are supported by advertising in local newspapers.

   b. Or you may sell through retail stores using several kinds of wholesalers and advertising your products on television.

   c. Or you may sell by means of a mail order catalog which your shop publishes and sends to prospective buyers.

Each of these is just an example of the many possible market mix alternatives to consider.

3. Evaluation of the alternatives is next. You have to choose a mix. To do so, you need to evaluate each alternative in terms of: (a) its effectiveness in carrying out the six "rights" of marketing, and (b) the costs to your shop of each program. This means you are going to need information about your markets and about the various costs of the proposed mixes.

4. Selection of the one mix you propose to follow is the fourth step. This comes after the information is collected, the costs of the alternatives are assessed, and the mixes are re-examined to make sure they will help you reach your goal.

5. Scheduling the marketing program is the final step. You have to plan the when, who, where, and how much of getting this program translated into effective action. The timing problems associated with when involve laying out a timetable of jobs to be done. For example:

> When are new packages due at your shop? When do you introduce them to retailers? When will you make most of your sales for each product in your line? When should advertising be used? When will you offer special price concessions or discounts?

Your planning also includes deciding, ahead of time, what quantities of which products will be sold where in your sales territory. Remember: place, time, prospect, and promotion, as well as product, must be right! This will not occur by chance but only by careful planning.

Our five-step planning guide has been discussed in terms of laying out a total marketing program. It is equally useful for many of the day-to-day marketing management decisions. For example:

Let us suppose you are planning an advertising campaign which has as its goal increasing sales of a product in the next week. (You may have found yourself overstocked and need to clear your inventory.) You examine the alternatives of: (1) a newspaper campaign of four ads; (2) a campaign of short television commercials; (3) a direct mail folder sent to household buyers; or (4) a campaign consisting of large retail store displays.

To evaluate these alternatives you need to know how much each will cost, how long it will take to get each started, how many people each will reach, and how effective you think each will be in boosting sales next week (your goal).

When all the facts are in, you may decide on the newspaper campaign. Once selected, you schedule the design of the ad and the dates on which the ads will be run.

Planning: Information You Need

The marketing manager needs facts and he needs sound judgment (skill, common sense, experience). Neither is a substitute for the other. But while many businessmen possess reasonable judgment, all too many try to operate in an information wasteland. The only way to insure that all your marketing planning is attuned to the desires of your customers is to create a regular flow of market information.

Note that word: create. Regular and adequate supplies of market information won't just happen your way. You have to gather it, or have it gathered for you. "Marketing research" sounds expensive, complicated, and like something used only by large corporations. It is not! Marketing research is simply the regular and systematic gathering of facts and information about marketing problems to help managers plan goals, evaluate alternatives, and keep the market mix in step with customer needs. No matter what the size of your business, you can begin to create better information flow and reap the benefits of informed decisions vs. blind hunches.

Customers and Competitors

You need to keep in touch, regularly, with two major groups:

1. Customers...present and potential.

2. Competitors...for the products you sell.

Customers. How many potential buyers are there for your type products? How many are currently buying your type products? What is your shop's share of that market? Where do these customers live? How old are they? How much money have they? What is their race, education, occupation? How do they buy? Where? When? Who influences the buyer?

You may wonder why all this information about customers is necessary. A general answer might be "the more you know about them, the better you can tailor your market mix." But more specifically, here are some examples of why you need to know these things:

> Money, occupation, and spending habits will influence your acceptable product quality and price, among other things.
>
> Age, education, and race will have an impact on where you advertise and what you say in those ads.
>
> How, when, and where customers buy will affect your scheduling and production timing, and your place strategies, since you must be at the right place on time.

Competitors. You want customers to prefer your product and to respond to your marketing mix. To be sure of the attractiveness of your offerings, you need to know about the market mix your competitors are presenting for customer approval. When your competitors change their product, or price, or shift the emphasis in their promotion and place strategies--you need to know it. Moreover, you dare not wait until you "just happen to hear about it." If you create some sources of market information which keep you up to

the minute on your competitive market place, you can alter your mix to meet the challenge and preserve your share of the market.

Other Information Needed

These two basic information types--about customers and competitors--are the cornerstone of your market fact-finding program. They are the basic information against which you compare all your marketing mix elements.

You will need, in addition, information about the effectiveness of the various elements in your program. In planning, remember, the numerous alternatives must be evaluated and one selected. This means you must have information about customer reactions to present products and proposed new products, to present prices and proposed price changes, to promotion that you are now doing or plan to do, and to your place strategies.

The emphasis is on regular information. The mix you designed last year may not meet the needs of this year's consumers. "The market" is a constantly changing one.....

> new consumers are born (about one each seven seconds), old customers pass on or move away; family incomes shift and with the new dollars may come different spending habits; new products enter the marketplace to compete with yours.

.....and since your market mix must ever be right for your market, you have to keep in regular touch with all phases of your market: final customers, the retailers who sell your product, and the competitors who share your target market.

Planning: Forecasts And Budgets

We listed as the fifth planning step "scheduling." Because it is one of your most important planning activities, this step deserves further

consideration. If we could call your marketing goals a statement of where you want to be going, we might consider your forecast a statement of how far you expect to get next year (or quarter, or month) and your budget as the detailed schedule of how you plan to get there.

Forecasts

All persons in your workshop look to you for a forecast of sales for each coming period. This forecast is the major planning tool for other executives, as it is for you in planning your marketing program. For example:

1. The production manager of your shop needs to know what your sales forecast is in order to plan his raw material purchases, packaging quantities, and production activities. He has to know whether you expect to sell more, less, or the same amounts for every product your shop makes.

2. The financial manager, or controller, of your shop needs to plan his cash budgets and make other financial plans to insure that both you and the production manager have the resources you need to carry out your plans.

3. Naturally you need the forecast to know what advertising you will need, how many salesmen you will need, and what price adjustments you need to consider.

Your sales forecast should be made for long- and short-run planning. This suggests that you will want to make an annual forecast and a shorter, quarterly forecast. You may wish to add a monthly revised outlook, but most firms find the annual and quarterly guides sufficient. The following schedule, based on a regular calendar year, is just an illustration of what your forecast schedule might resemble:

Type	Date	Forecasts through:
Annual	January 1, 1980	January, 1981
Quarterly	January 1, 1980	March, 1980
Quarterly	April 1, 1980	June, 1980
Quarterly	July 1, 1980	September, 1980
Quarterly	October 1, 1980	December, 1980

In addition, you might, on the basis of your third quarter forecast, issue an annual forecast on July 1, 1980 to look ahead to May 31, 1981.

What To Forecast

In your sales planning, it is not enough to forecast total sales for the coming period. If you are to make detailed marketing plans, and if the shop's other executives are going to make effective operating plans, your forecast needs to be in some detail.

By Products. The total sales forecast must be divided into individual product forecasts for the items your shop makes. Thus, if you expect assembly subcontracts to rise 10% this year, and sales of stuffed toys to drop 10%, while sales of pot holders are expected to remain the same--these individual forecasts need to be spelled out.

By Customers. You may sell to more than one class of buyer. For instance, you may sell some goods to household consumers, some to business and industry, and some to government. A sales forecast according to customer type is the basis for your planning the expense budgets for the marketing program. If you expect consumer sales to rise, you may foresee a need for more salesmen. A rise in government sales, on the other hand, may not require additional sales force.

By Markets. When you do business in more than one city, your sales forecast should be broken down into individual market forecasts. This market breakdown will guide your advertising, personal selling, and choices of new outlets to sell your products.

By Salesman. This breakdown of the total sales forecast is essential to adequate management of your field sales force. It is the basis for quotas

you will want to set for each salesman. Naturally, it depends on the market forecast for the territory the salesman will cover. (See the section on Sales Management for a more detailed treatment of quotas and their place in your management tool kit.)

By Time. This suggests that sales be forecast by year, quarter, and even by month and week. Your annual and quarterly forecasts are necessary for total workshop planning. If you can divide the quarterly forecast into monthly plans, your budgeting will be more useful.

Budgeting

When you make a budget you are really accomplishing two things: (1) you are planning (scheduling) your marketing activities to meet your forecast, and (2) you are paving the way for the third management function--control. A budget is a plan. For example:

> Your household budget is your plan to make sure that your paycheck reaches the end of the week or month while covering the expected expenses of maintaining your house. So you plan for food, shelter, medical, transportation, and similar expenses.

One aspect of planning, then, is the budgeting of expenses you expect to incur in meeting your goals and forecasts. To do this, you need to budget what kind of expenses will occur when and at what cost. This is the detailed scheduling of your marketing mix.

Budgeting is hard work. There is no simple way to arrive at a comprehensive budget. It is a step-by-step building up of a total marketing program. You have to do it for every product, for every month, for each major market area you serve, and for each element in your marketing mix. You need these budgets to help you guide the marketing activities. Other workshop executives, especially those who control the financial activities,

need your budget so they can plan to have the proper amounts of money available at the time you need them for your marketing program.

Organizing

Your second broad marketing management responsibility is to provide an organization capable of putting your plans into action. The organization is the end-product. You organize. Where you fit into the total workshop organization is one matter. Where the people concerned with marketing your shop's output fit into the marketing organization is your responsibility.

What is organizing? There is a clue contained in the sentence above:

> "...people concerned with marketing..fit into the marketing organization."

This suggests, then, that organizing has to do with arranging the activities of the marketing employees (including yourself, of course). The goal is to get the marketing job done most efficiently; that is, to harness the energies, skills, and talents of all the marketing personnel so that the organization pulls as a team towards your marketing goal.

Why Organize?

A good organization helps get the most work out of a group of individuals. The members know who is responsible for what jobs, and to which individual each member reports.

A second benefit is that good organization balances work and responsibility so that neither you nor any of your marketing workers is overloaded.

Third, when you organize well, you make sure that each job gets done once, but only once. Thus, costly duplicating of effort is avoided.

Organization Ideas

The section in this handbook on Sales Management offers you some guides to organizing that should help you whether starting a new marketing organization or evaluating an established one. Let's look at three basic organization ideas:

(1) Organizations consist of people. You will have to see to it that the right kind of people are recruited, hired, and trained to carry out your marketing goals. In addition to the kind of people, you will want the right number of persons on your marketing staff. Too many, or too few, can be equally costly to your efficient operation.

(2) You will organize jobs, not people. This sounds odd, especially after all the stress on the human elements. The reason for organizing jobs is this: you want to get the jobs done, and want to keep the elements of the market mix coordinated and balanced. After organizing the jobs to be done, then you staff them.

The danger in trying to build your organizational design around people is that a particularly strong or weak person may lead you to create an unbalanced organization. This is difficult to avoid, for you probably have the people at hand. It can serve as a caution, however.

(3) Your organization needs to be reviewed and revised from time to time. It is not a permanent structure. Just as your product line and market mixes will shift, so must your organization be flexible to carry out the activities of the new marketing program.

This review of organization is included here because this section is a summary of your total management responsibilities in marketing. Your attention is referred to the more detailed treatment of the topic in the Sales Management section.

Control

If you are to reach the goals of your workshop, you have to control the progress and performance of your organization as it carries out the planned marketing program. "To control" means to direct, guide, or restrain other

people and events. As the marketing manager for your workshop, you are responsible for this third broad management area: control.

How Do You Control?

Part of your control job was done when you made your plans, your forecasts, and your budgets. You were establishing goals, laying out plans, and--in the process--setting up standards. There are really five parts to control, but you will have accomplished three of them in your planning responsibilities. Let's look, briefly, at these five elements in control. They are:

1. Goals stated so that you know what you are trying to achieve and why you need controls.

2. Plans made and scheduled in detail so that you will know how to reach your goals and what elements of your marketing mix need controlling.

3. Standards set so you will have some guide to knowing when you are "off course" or when you need to readjust. Your budgets are a major help here.

4. Information on costs and sales performance which you will compare against the standards you set when you budgeted.

5. Adjustments which are in order whenever you find that the information on where you are doesn't match the standard of where you should be. This is the directing, guiding, and restraining we mentioned in the definition of control.

Here is an example of our breakdown of control applied to an everyday experience like driving to work:

(GOALS) You need to get from your home to your workshop, safely, legally, and on time.

(PLANS) Since it takes fifteen minutes driving time, you plan to leave at 8:15, drive three blocks east, and then turn right onto the avenue leading to your shop.

(STANDARDS) You will not exceed 25 miles per hour and will remain in the right-hand lane at all times.

(INFORMATION) Halfway to work, you notice the speedometer needle pointing to 35 miles per hour and ease off on the accelerator until

(ADJUSTMENT) your speed drops back to 25. Two blocks from the shop you find the right lane

(INFORMATION) blocked by a stalled truck. Signalling a change of lanes, you pass the truck and

(ADJUSTMENT) then return to the right lane in which you normally drive.

In this simple example, you reached your goal because you had constant control over your progress. This example points up two important characteristics of good control:

1. Control is not a passive bookkeeping activity. Rather it is the active process of directing activities in response to the information good bookkeeping can provide.

2. Control is not a once-a-year audit of expenses or look at marketing efficiency. Good control is an everyday, every hour responsibility of alert marketing managers.

What Do You Control?

Basically you are interested in controlling two broad areas: (1) your marketing program and its success in reaching your workshop's goals, and (2) the efficiency of your marketing efforts. In the marketing program you need to control the big four P's--Product, Place, Price, Promotion. Your concern for marketing efficiency leads you to seek control of people (salesmen, delivery men, etc.), of costs (advertising, selling, administrative, all marketing costs, in fact), and of customers (credit risks, small orders, etc.).

Controlling Your Marketing Program

Because you have forecast your sales by product line, by geographic area, by customer type, by salesman, and by monthly periods, you have made the control job easier. These forecasts, together with your budgets for selling, advertising, and other marketing activities, will be standards for your controlling activities. For example:

> If you forecast that your total sales this month would be $25,000 divided 50%-50% between two products and your information tells you that sales were $25,109 divided 50%-50% between the two products, things are in control by this standard.
>
> But if sales are $25,109 divided 70%-30% for the products, things are not under control. You need to find out what is wrong, and make the necessary adjustments.
>
> Or if sales are $13,000 but divided 50%-50%, you need to investigate the reason behind the dip in sales. It may be because of an unforeseen recession which has slowed all buying. It may not! New competitors, new products, new consumers in your market area may be the cause.

Now to keep control of your marketing program, you need to tap the regular information sources you used for planning. This means you need steady "feedback" from your markets on how acceptable your products are. What features are especially liked or disliked? What share of the total market do you have?

Most especially, you need a regular reporting of sales by product, customer, area, salesman, and time period. Your forecast was the statement of where you planned your sales to be. The sales report allows you to keep control of your progress towards that goal. It is not enough for you to know what total sales were last year. Your annual statement is past history. Unless you are receiving regular current reports (monthly or weekly) on total sales and on sales according to product, customer, salesman, and area, you are navigating your marketing ship without a compass.

Controlling Your Marketing Efficiency

Seeing to it that your marketing program is getting you to your goals is one thing. Getting there efficiently is quite another. If you could have achieved the same sales volume with 20% lower costs, you would admit that there was room for more control, wouldn't you? The big three areas of efficiency are: (1) efficiency of people on your marketing team, (2) efficiency of costs and expenditures for marketing activities, (3) efficiency of customers in relation to the costs of serving them.

Salesmen. When you forecast sales by geographic region, you established a basis for evaluating the salesmen who sell in the different territories. It is neither fair nor sensible to judge salesmen solely on dollar volume if the sales potentials (according to your forecast) differ for their territories. Instead, you should judge them on the basis of how much of their potential sales they made (80%, 110%).

Other goals and standards for controlling salesmen which are commonly used are:

1. The cost per call, found by dividing a salesman's total salary and expenses for a month by the number of calls he made that month.
2. The number of orders taken per 100 calls, which forms a kind of batting average.
3. The number of calls per day.
4. The average order size, found by dividing a salesman's total monthly sales by the number of orders he booked that month.

The section on Sales Management in this handbook offers more details on controlling your sales force.

Costs. When you made your budgets for sales, advertising, sales promotion, and marketing management expenses, you were both planning these

activities and committing your department's cash needs for the coming period. Controlling the costs of marketing, then, means a regular appraisal of your actual costs compared with your budgeted costs.

If actual costs are too far above or below your planned costs, it is a signal to you that your marketing program is off course. The trouble may lie with people whose performance is slipping, it may be because external factors such as competitor's activities and prices for materials have changed. It may be an indication that your budget needs revising. Budgets, remember, are designed to aid you, not to harass you. They must be servants, not masters.

By now it is apparent that control is an information gathering and evaluation process that can tell you when you are off course and where the trouble spots are. Control systems do not automatically tell you what should be done to correct the situation. That is a management job best done by experienced managers and not left to an impersonal "system."

You need to control costs to make sure you will have enough funds available for the entire marketing period. (If you spend next month's or next quarter's marketing dollars during the present period, you can run out of funds next month.) You need cost control to locate efficiency trouble spots in your marketing program. You need cost control to alert you to needs for possible revisions in future plans and budgets.

Customers. Finally, you need to exercise some control over customers with whom you deal. There are two major problems here: (1) you may have one customer who represents too large a portion of your total business, and (2) you may have too many customers who are too small to justify the expense of selling and delivering. The first problem will receive brief

treatment in the following paragraph. The second problem of customer control is so common, so widespread, and so important that it deserves more thorough coverage. The rest of this section will focus on small customer and small order problems.

Your concern with a large customer who accounts for too much of your shop's output is well founded. "Too many eggs in one basket" is always a problem in any business. The problem, of course, is that the big customer may take his business elsewhere, which can leave you with workers and workshop capacity on your hands. Or, he may use his size as a lever to pry expensive service or price concessions from you. Your personal relation with the customer is little security. If he leaves, dies, or is promoted, the replacement may share none of his loyalties to your shop.

Small customers are an equally important challenge. Actually, the problem is one of both small customers and small orders from potentially large customers. Your control of customers begins with classifying your accounts into the following groups:

1. Small customers who will probably stay small.
2. Small customers who will probably grow into healthy accounts.
3. Large firms who only give you small orders.

Next, you need to consider reasons for and reasons against doing business with small customers. Let's look at both sets of reasons:

Reasons For:

1. The business from all these small customers is added volume over which you can spread factory overhead. (See the comments on fixed and variable costs in the section on Pricing.)
2. You hope that the small customer will grow into a larger user of your shop's products, and wish to get established with him now.

3. You feel that the prestige of supplying the large company any merchandise helps you in selling to other customers.

4. These small accounts are old friends of your shop with whom you hate to sever relations.

Reasons Against:

1. The high cost of selling and delivering to these accounts. It costs as much for a salesman to call on a $10 account as on a $100 account.

2. The added bookkeeping and billing costs of many small accounts.

Doing Something About Small Orders

If you decide that you cannot continue to sell to small accounts on the same basis as you sell to your larger, profitable accounts, what can you do? There are several approaches open to you.

1. Call on these accounts less frequently. This will save in salesman's expenses and should raise the average order, since they will now have to buy two months' (or three) supply instead of only one month's supply.

2. Another approach is to set up a minimum order size. You explain to customers that your shop simply cannot afford to handle orders below a minimum amount. The minimum can be in dollars (enough so the gross profit at least equals salesman's expenses), or in units such as dozens, cases, carloads, etc.

3. An alternative is to use a handling charge on small orders. This is often done. For orders under a specified amount, or amounts, charges are applied. (For instance, $1 on orders under $10, 75¢ on orders under $20, etc. It resembles, then, a quantity discount as discussed in the Pricing section.)

4. A preventive measure is to instruct salesmen not to open such small new accounts. This, coupled with a minimum order policy, should keep your problem from increasing. If you think an initial small order might convince a customer to place more business with your shop, you allow one, or maybe two, small orders, then apply the minimum policy. Customers should be told, of course, about the policy the first time they buy, and warned that on future orders the minimum must be met.

5. Contact those accounts by less expensive methods such as mail or telephone.

Controlling customers is like all other control activities. You need information in the form of sales by customer, standards in the form of profit margins for each customer, and adjustments when you find yourself getting off course.

Summary

Good marketing management, like any other administrative task, requires diligent and regular attention to three broad areas. Your responsibilities for planning must set the course; your organizing makes it possible to advance towards your goals; and you keep control of your progress in all activities so that you reach your goals successfully and efficiently.

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PRICING

One of your major marketing responsibilities is to set the prices of the products your workshop sells. Before we get into some of the specific problems of price setting, let's take a bird's-eye view of pricing in relation to your other marketing responsibilities. It is so easy to view pricing as a separate activity, but pricing is actually a part of your total marketing mix. This mix (see Marketing Management) consists of your products, your selling and advertising promotions, your services to customers, your selection of places to make your product available to customers, and your prices.

Any decision you make about prices, then, must be made with full awareness of your total marketing mix. For example:

a. You may decide to do very little advertising or promotion but depend on low price to sell your product.

- or -

b. You may feel that because your product is clearly of superior quality (and this fact is recognized by your customers), you will charge a higher price for your product.

- or -

c. You may feel that your marketing mix is about the same as your competitors', so you will charge a competitive price.

- or -

d. You may feel that since your product is promoted and delivered to customers (in other words, your services are above average), you are entitled to a higher price.

These examples could go on endlessly, of course, because any variation in the other elements of your total "marketing package" may have an effect on the price your customers are willing to pay.

Price

That last phrase is terribly important. So important, in fact, that we need to lift it out and look at it. Here it is:

"the price your customers are willing to pay"

Please notice that this does not say "the price you want to charge" or even "need to charge." Pricing, like the rest of your marketing program, must be carefully attuned to your customers. In the final analysis, your customers set your prices.

One other general remark before we turn to some problems of price setting: pricing is an art, not a science. There is no set, fixed, magic formula to set your prices for you. Nor can you dodge your marketing responsibility by applying any fixed "markup" to production costs. To be effective as a pricing executive, you must recognize these two limitations we have been discussing:

1. You are seeking the price your customers are willing to pay.
2. There is no pat formula for finding this price.

What Is Price?

This seems like a simple question, yet it is really fairly difficult to answer. We know that prices are usually stated in terms of dollars and cents, because money is our means of exchange. But exchange for what? What does price represent? Let's think of price as being the value placed on some assortment of a product and the services which go with it. That assortment usually consists of a product, its package, its well-known name which is a buyer's assurance of quality, any guarantees, and the product's convenient accessibility (the place where it is available). For example:

> If someone offered you coffee for 20¢ a pound, would you consider this a "good price"? If this were vacuum packed, brand-name coffee at your corner grocery, you would most definitely say "yes." But if this were for green, ungraded coffee beans at a plantation shed in Brazil, your answer would probably be "no." Why? Because you would have to arrange to grade and roast the beans, package them somehow to prevent spoilage, and get them from Brazil to your pantry. By the time you did all this and paid for all these things, the 20¢ price might seem fairly steep.

You need to take a similarly broad view of the word "price" as you begin to wrestle with the task of pricing your shop's products. Generally, the more of "something else" you offer, the more price consumers are willing to pay. Thus, if you deliver to their door, this added convenience should be worth something to them. If, on the other hand, you sell only to customers who come to you in an out-of-the-way location, they will probably expect to pay somewhat less.

Now the "something else" may be in the way of product features or packaging convenience. It may take the form of free installation or delivery. It may be more intangible, as good brand names add prestige and assurance to products so that those products command higher prices than less well-known, competing products.

Pricing

With these background comments, we now turn to your pricing problems. You are aware that customers, in the final analysis, set prices by what they are willing to pay. As a workshop manager, however, you are also aware of factors which make prices acceptable or unacceptable to you. If, for instance, consumers are only willing to pay $1 for your product, and you incur costs of $1.25 to make the item in the shop, you are not happy with the "price." If, however, you insist on $1.25 (or more) and customers will

not buy at this price, neither you nor your customers will be happy with your price.

What we are saying is that there are two major considerations in pricing. They are:

1. Matters of market.
2. Matters of cost.

You have to keep an eye on both of these. What's more--you have to watch them constantly. This is important because both market conditions and your workshop's costs are subject to change. New competitors enter the scene, new products challenge yours in the market place; raw material prices shift, and office payrolls increase. In fact, just about the only thing you can be certain of is change!

We need to examine both of these matters--market and costs--in more detail. After doing so, we'll note two approaches to pricing which are directly related to these matters.

Matters of Market

Unless your workshop turns out products completely and utterly unlike any other products in the world, you are going to have to be concerned with competition. Part of your concern with matters of market, therefore, centers on the prices of competing products in the markets you serve.

The word "market," thus, has more than one meaning. It may refer to either product class or geographic area, or both. You may be concerned with the "market for brooms," or the "stuffed toy market," or the "assembly subcontract market." But because you do business in a certain corner of the globe (whether that corner is your town, state, or the United States),

you are also concerned with the market for your products in that corner. Thus, you speak of the "New York City market," or the "San Francisco market," or the "midwestern market." In fact, you are really concerned with both.

Your Product Class

The chances are that someone else--and probably a commercial manufacturer at that--is offering competing products for sale in your area. Part of your pricing problem centers around the prices these competitors are commanding. Here are some examples:

1. If your shop makes a product like brooms, for instance, you need to be aware of the prices being charged for other makes of brooms in your area. You need to because broom-buying housewives will be aware.

2. If your shop salvages and repairs second-hand merchandise like furniture and clothing, you need to watch prices in both new merchandise stores and other stores like yours.

3. If your shop does assembly work on subcontract from manufacturers or retailers, you have to be concerned with the prices other assemblers are offering and the price at which the manufacturers and retailers will prefer to do their own work.

Your Geographic Market

Naturally, you will want to observe product class prices in the areas you serve. If your market is currently enjoying full employment, active business, and general "good times," the prices for all products may be generally higher than average. If, on the other hand, your market is plagued by unemployment, lower consumer spending, and sluggish business activity, the prices will generally be lower than average. Since you must live and do business in your market, it is well to keep attuned to these general market indicators.

Then, as a matter of market concern, there may be customary prices for your product. Novelty items may be customarily priced just under $1--98¢ perhaps. Or retailers carrying your product may prefer to carry selected "price lines" such as $1.95, $4.95, and $6.95 types of your product. If a strong customary price for your product exists, you need to give serious thought before you attempt to change the ways of the market. It may be easier, and far better, to follow the custom.

These remarks about market matters suggest that you will need to check regularly on the product class and geographic market conditions your workshop faces. They will probably be major influences over the prices you charge, and should be if you are to stay customer-oriented.

Matters of Costs

The second major area of concern to you as pricing officer for your workshop is that of costs. To price effectively, you need to know what the cost picture is for each of the products you make. This suggests that you are going to need some cost accounting. Whereas your regular accounting records are designed to reveal the profits or losses for your entire shop, cost accounting relates to the individual products (or departments) in your shop.

What Are Costs?

When you say that an item "costs such-and-such an amount to produce," what do you mean? You are probably referring to the total cost of the item being considered. This total cost is composed of two parts: (1) the direct labor, raw materials, and other costs incurred in making the item, and (2) a share of the "overhead" or total workshop costs which you expect

the product to bear. The (1) group consists of "variable costs," and the (2) group consists of "fixed costs."

Variable Costs. These are the costs which vary in total with the number of units produced because each unit consumes the same cost elements. Some of these variable costs might be:

1. raw materials
2. direct labor
3. packages and boxes
4. labels
5. inspection of finished goods

Now note this about variable costs: they are the same for every unit of production but vary with the total number of units produced. For instance:

> Suppose the total of the variable costs listed above came to $2. Now if your shop made 5 of these items, your total variable costs would be $10, but they would be $20 if you made 10 of the items. Thus, we see they are fixed-per-unit ($2 each) and vary in total according to the number you make.

When you are considering matters of cost, then, you will need to consider the variable costs of each unit you manufacture and the total variable costs for your expected production during the coming year.

Fixed Costs. The second cost category consists of shop costs which are not directly related to production. They are called fixed costs because they remain fairly constant even when you are not producing and selling. Here are some examples:

1. The rent and depreciation on your building.
2. Heat and light.

3. Salaries of managers and office personnel.

4. Insurance.

These costs, of course, will not be affected--to any great degree--by the volume you produce.

Now fixed costs are fixed in total but vary when spread over the units you make. When you allocate a portion of fixed costs to each item you turn out, it makes a difference how many you are producing. For instance:

> Imagine that your total fixed costs (the sum of the items above) were $10,000. Now if you make 10 items this year, each would be expected to bear $1,000 of your fixed costs. But if you turn out 1,000 items, each would only need to cover $10 of fixed costs. Thus, fixed costs are constant over all ($10,000) but vary on a per-unit basis according to how many units you are making.

One other fixed cost problem is that of allocating them to the product lines when your shop makes more than one kind of product. This is a technical accounting matter; your accountant should advise on how to allocate such fixed costs. In general, however, you spread them according to the importance of the different lines to your over-all workshop operation. If one of your products outsells another by a great deal and takes up more of your shop's capacity, then it ought to bear more of the fixed cost burden than another, less frequently produced, product.

Total Costs

When you add your total variable costs and your total fixed costs, you get your total costs for the period (a month, quarter, or year).

You need to know both kinds of costs to price your products effectively. And like matters of market, you need to keep a regular check on both kinds of costs. Your insurance and taxes may change annually, your raw material

and package prices may often go up--or down, all costs change over time. Finally, you must be prepared for the uncertainty of your cost estimates. They will not be 100% perfect--they cannot be, with so many factors involved. The important thing is to try and keep trying to develop meaningful estimates of both fixed costs and variable costs for your shop.

The Importance of Costs to Pricing

Why all this concern about different kinds of costs? Why not just get total costs and avoid all the problems and expense of cost accounting? Simply because:

you occasionally have to price below total costs.

Remember that we noted that you would face competition? To meet the competition and to set your prices for the best possible performance of your shop, you need to know both kinds of costs.

If you insist on recovering total costs from every single sale, you may price yourself out of the market for some product lines or in some markets. Certainly you plan to cover these costs over the year--but every single sale need not be priced to cover its total costs. On some you may realize more than total costs. On others you may have to settle for less than total cost, but it may be good business to do just that.

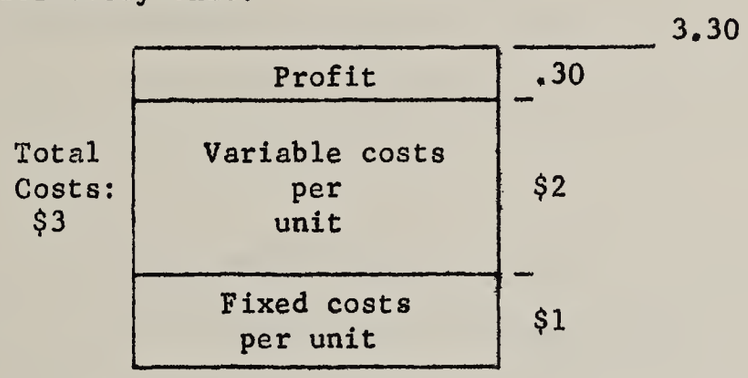
Your rehabilitation goal is to provide steady employment opportunities for the handicapped; your pricing policy must reflect this goal. With your knowledge of both fixed and variable costs, you can know just how much below total costs you can afford to set prices in order to meet competitive conditions.

Now your guide is a simple one. When necessary, you may have to lower your price below total costs. You will be able to do this so long as the

price you charge is equal to or larger than your unit variable cost.

Since your fixed costs will continue unchanged by the production of items sold below total cost, these items can contribute something to fixed costs. For example:

> Let's suppose your cost structure looks something like the one pictured below: your variable costs-per-unit are $2, and at the expected volume of production your fixed costs-per-unit would be $1. Now let's also assume that you ideally want a 30¢ profit for every unit.



At any price over $2 (your variable cost), you will be contributing something to those fixed costs which are going to be continuing anyway. Rather than turn down a subcontract or a product order from retail stores because you cannot realize your full target price of $3.30, you now know that even a price of $2.50 would be helping pay towards your fixed costs at a rate of $.50 for each unit sold.

Warning Number One! This concept of sales below total unit costs applies to specific competitive circumstances where you feel that a lower price (and contribution) on these sales will be offset by the rest of your sales at regular prices.

Warning Number Two! This warning has to do with your total concern with matters of costs. While you need to be cost-conscious, and you need to know both kinds of costs--fixed and variable--you must also remember market matters and their importance to your pricing decisions. You dare

not overlook either matters of market or matters of cost. Because your cost estimates are likely to appear more precise and detailed than your market appraisals, you must not let costs dominate your market-oriented thinking. Remember our earlier point: in the last analysis your customers--the market--set prices by their willingness to buy at the price you quote.

Pricing Methods

There are two basic approaches to pricing which closely relate to our discussion. They are: market-minus pricing and cost-plus pricing.

Market-Minus

This approach to pricing begins with your analysis of market matters and your estimate of a price acceptable to ultimate buyers of your product. If you sell to housewives through retail stores which are reached by wholesalers, it is the housewife who is your ultimate buyer. If you sell a service (assembly or otherwise) to manufacturers or other businesses, they are your ultimate buyer. Our discussion will center on the more complex problem of selling through other businesses to ultimate buyers. The principles are the same for less complicated pricing problems where you deal with these buyers directly.

In market-minus pricing, you start with this market price to ultimate buyers and move back through the intermediate buyers (middlemen) to the price your workshop will receive. As a pricing method this approach has much to commend it. It is customer-oriented, as all your marketing efforts must be.

The major difficulty lies in estimating the acceptable market price to ultimate buyers. As our look at market matters indicated, however, you may

use as guides the prices similar or competing products are commanding. Then, if you think your product is clearly superior (in the ultimate buyer's eyes!) you may consider a somewhat higher price. Or, if your product does not contain all the features of competing products, you may choose a slightly lower price. If it is about the same, your price will probably be likewise.

Example of Market-Minus Pricing

Let's assume that your product is about the same as similar competing products and that you believe ultimate buyers will pay $3.31 for it at retail stores. Now your workshop grants the retailers a 33 1/3% markup (on his selling price, of course) and the wholesalers who sell to retailers are allowed a 20% markup on their selling price. (Note: for a discussion of your pricing problems in setting these allowed markups, see "Trade Discounts" later in this same section.)

Now, then, the market-minus approach suggests that you start with the market price and work back to see how much is left over for your shop. Using the situation assumed above, it looks like this:

Market price estimate	$3.31
Less: Retailer's 33 1/3% markup	1.43
Wholesaler's selling price	$2.88
Less: Wholesaler's 20% markup	.58
Workshop Selling Price	$2.30

When you find out how much is left over for your shop (in this illustration $2.30), then you turn to your cost data (fixed, variable, total, and whatever profit goal you have) and see how acceptable the price is to you.

Cost-Plus Pricing

The other pricing approach is called cost-plus pricing because it starts with your cost situation and works up to a market price. Many shops, and--

indeed--many businesses, use this approach because (1) it is simple; (2) it is based on accounting cost information rather than on some manager's estimates or market analysis. Unhappily, however, it totally ignores the buyer.

When you are considering a new product line for which there is little or no market information, then cost-plus may be reasonable as a starting point. You would want to examine very carefully the sales results at a price set by this method, however. By testing different prices around the one set by cost-plus (say, one price 10% lower and one 10% higher) and noting what happens to sales, you can turn the cost-plus starting point into market analysis for the new product and get your pricing customer-oriented again.

Another frequent application of cost-plus pricing is for subcontract work. Here, where there are few guides to market acceptance, cost-plus provides a place to start.

It is our opinion, however, that for effective marketing, the cost-plus approach is less desirable than the buyer-oriented market-minus method.

Example of Cost-Plus Pricing

Let's assume the total costs are again $2 and that you want to allow wholesalers a 20% markup on their selling price and retailers 33 1/3% on their selling price. In such a case, the cost-plus method looks like this:

		% on Retail	% on Cost
Target workshop price	$2.30		
Plus: Wholesaler's markup	.58	20	25
Wholesaler's selling price	$2.88		
Plus: Retailer's markup	1.43	33 1/3	50
Market price to ultimate buyers	$3.31		

Now the shortcomings of cost-plus may become apparent. Suppose that most competing products sell for $2.98 in your markets. Your cost-plus approach may have priced you out of the market. Equally unhappily, the going market price for other products might be $3.98; if so, and if you set your price at $3.31, you have lost a chance to earn a much higher unit contribution to fixed costs and profits!

Summary

Both market-minus and cost-plus pricing methods are widely used. Of the two, however, market-minus is to be preferred because it is buyer-oriented, not seller-oriented. No matter which method is used, however, you need much information about matters of market and matters of cost before you can price effectively. Unless you have adequate cost accounting to tell you your fixed, variable, and total costs for each product you make, you will be pricing in the dark.

Your Price Structure

Up to now, this unit has been concerned with setting the price of your products to the final user or buyer. This price is the list price, or suggested retail price. We began with the problems of setting the list price because, like any other marketing job, pricing must be customer-oriented. But many workshops sell through such other businesses as retailers and wholesalers (see Selecting a Distribution Channel in the unit on Sales Management), and you who do must consider them as you price your goods. You need not only a list price but a price structure to compensate these other members of your marketing team for performing certain activities. This brings us to the subject of discounts.

Discounts are reductions in price; they are offered to achieve marketing goals. Some of these discounts are a fixed part of your price structure; some of them are added to your structure to bring about desired buyer response in a temporary situation. You need to be aware of the different kinds of discounts to construct a price structure which will move your goods through to ultimate buyers with the greatest satisfaction to all concerned--workshop, dealers, and buyers. We will consider two classes of discounts: (1) basic discounts which are generally established parts of your price structure, and (2) special purpose discounts which you may wish to use either regularly or just occasionally.

Basic Discounts

If you sell your products through other businesses, you must pay for the services they perform. Note that we do not say "sell to other businesses for resale to consumers." This would imply that you merely sell to wholesalers and retailers, and that the rest is up to them. In pricing matters, you must always think of selling to ultimate users through the businesses which carry your product. Why? Because if your price is not right to ultimate consumers, everyone suffers. Basic discounts, then, are those which are necessary to achieve the distribution to ultimate buyers you need. We consider two kinds: trade discounts and cash discounts.

Trade Discounts

Trade discounts are reductions in the list price offered to the tradesmen, or businesses, which carry your product from workshop to householder. They are offered to all buyers of a certain type or class, such as "independent retailer," "chain store," "wholesaler," etc. The purpose of the

discount is to provide each member with compensation for his expenses and for risk (his profit).

> Suppose you sell to consumers through retail stores who are supplied by wholesalers. Your basic price structure might look something like this:
>
> List, less 40%, 20%
>
> What this structure means is that you are offering the retailer a 40% discount (from retail, or list) for stocking and selling your product, and offering the wholesaler a 20% discount from his selling price. If you had decided that the list price ought to be $1 for this product, the price structure translated into dollars looks like this:

List price	$1.00	consumer pays
Less: 40%	.40	
	.60	retailer pays wholesaler
Less: 20% (of $.60)	.12	
	$ .48	wholesaler pays workshop

> Thus the workshop receives 48¢ for every item sold, the wholesaler receives 12¢ (which is 20% of his selling price), and the retailer receives 40¢ (which is his 40% discount).

Notice these two facts about the basic trade discount structure: (1) each discount is based on the selling price of that member, so you cannot simply add 40 and 20 and apply the 60% to the list price; (2) because each is applied to the selling price, it is similar to a markup on selling price and not a markup on cost for the dealers carrying your product.

How large should a trade discount be? Recall that the purpose of your discount is to enable a member of your marketing team to cover his expenses and profit. It is apparent, then, that retailers and wholesalers are going to be acutely and constantly aware of your trade discounts in relation to both their own expenses and to other trade discounts they are offered for similar lines. In other words, your trade discounts must be competitive. There is no pat formula for figuring discounts, just as there was no magic method of establishing list price. In general, however, these will vary

according to the kind of retail store or wholesaler, and according to the speed with which your line sells. For example:

> The modern supermarket will average about 25% markup on selling prices over all. This total average, however, consists of (a) some fast-moving canned goods which would carry only 18-20% discount from list and also of (b) brooms, pots, and other relatively slower moving housewares which may carry discounts ranging from 30-40%.

When will your trade discount be higher, or lower, than the going competitive discounts for your type good? Let's discuss these in turn. Lower discounts are called for when your "something else" is more than competition. That is, when you are providing some additional services such as pre-pricing, or delivery, or installation--services which reduce the dealer's expenses and lower the discount to which he is entitled. Higher discounts, on the other hand, may result from your offering less of these services or features than your competition. Higher discounts may also be necessary when your products are not so widely advertised and pre-sold to ultimate buyers, or when you are trying to persuade dealers to carry your line instead of a line they are now carrying. Finally, your discount may be higher to a particular class of retailer such as chain stores and department stores because these units may do their own wholesaling and expect to be compensated for this activity.

The final question, after all this discussion of trade discounts, is: "Why have them at all?" Why not, instead, merely quote prices to each of these levels in your distribution team? One reason is that you may prepare catalogues or other promotion material which states the list price for your products--but you still may need to alter the price structure to meet competition within the distribution structure. A typed or mimeographed discount list may be prepared inexpensively whenever you need to make a change. Other

published prices might be more costly to change. Another reason is one of tradition: dealers expect it. Since they are going to compare your offer on the basis of the discount allowed, you are making it easier for them to do this and are following accepted business practice in so doing.

Cash Discounts

The second of the basic discounts is the cash discount for prompt payment of accounts. Many workshops do not offer them because they feel that it costs too much to do so and that the discount doesn't really speed the payment enough to make it worth the trouble in billing and accounting. For those workshops which sell through dealers and middlemen, however, the discount may be competitively necessary. It is considered a basic discount because it is so widely used.

Essentially, the cash discount is offered for payment within a specified number of days from the invoice date. The most common period is 10 days; the normal amount is 2%. This discount, like all others discussed in the following pages, is in addition to the trade discount.

Cash discounts are included in the price structure to hasten payment from business customers, to reduce bad debts, and to help identify poor credit risks. If a workshop is purchasing raw materials itself from a supplier who offers similar terms, the cash discount the workshop offers can speed up the flow of funds from workshop customers in order to take advantage of the raw material cash discount. This results in lower costs of component materials which may, in turn, enable the shop to compete more effectively at the list price level.

The discount is usually stated as follows:

2/10, net 30

which means that if a buyer pays within ten days of the date of the invoice he may deduct 2%. If he does not, the full amount is due thirty days following invoice date.

> You sell an order for $100 on June 10 and include in your price structure the cash discount 2/10, net 30. If your customer chooses to pay by (on or before) June 20, he will owe $98. After that date, he owes you $100 and the payment is expected by July 10.

In some lines, notably jewelry, the net period may run as high as ninety days. For most products, the 2/10, net 30 is common. Like trade discounts, however, cash discounts will have to be competitive with the established terms for the product line and dealer under consideration.

Special Purpose Discounts

The second class of discounts which may be a part of your price structure is composed of discounts designed to achieve specific buyer response. We will examine three special discounts: (1) quantity discounts; (2) seasonal discounts; (3) special promotional discounts.

Quantity Discounts

You may decide to encourage customers to place larger single orders or do a larger total volume of business with your shop over a year's period. Quantity discounts are designed to do this. If you are troubled with many costly small orders (see the section on Marketing Management), you might wish to increase the size of the individual order. Or, you might want to encourage customers of one of your products to carry other items in your line or make you their sole supplier of that one item. Either of these would increase your total yearly business with those customers. There is a special quantity discount for each of these two marketing objectives--

larger total individual orders or larger annual sales to a customer. They are non-cumulative quantity discounts and cumulative quantity discounts.

The Non-Cumulative Quantity Discount is offered for individual orders and seeks to promote larger purchases. You offer them because the cost of getting, packing, shipping, and billing is more economical for a large order of, for instance, 100 items than for 10 orders of 10 items each.

Let us suppose that your basic price structure is list, less 40, 20, 2/10, net 30. You sell to wholesalers and offer them a 20% discount from their selling price. To encourage wholesalers to buy larger amounts with each order, you might wish to offer, in addition, a non-cumulative quantity discount which might look like this:

Quantity Ordered	Discount Allowed
1-12 dozen	20% (basic discount)
13-48 dozen	22
49-96 dozen	24
over 96 dozen	25

Not only will the larger orders result in sales and billing savings, but they may allow you better production scheduling and larger raw materials purchases which will let you take advantage of the quantity discounts your suppliers of raw materials offer.

The second type, Cumulative Quantity Discounts, are based on a specific period of time, usually a year. The effect of this discount is to keep customers loyal to your shop and to promote the sale of your entire line of products. If, for example, a customer has purchased 10 dozen items from you, he will think twice before switching to another supplier for his next order if his next purchase from you places him in a higher discount category. Your accounting problems are a little more involved, since you must adjust

each customer's billings according to his current annual volume with your shop. As a means of holding customers and increasing over-all sales, however, a cumulative quantity discount can be quite effective.

Like all matters of discounting, the effectiveness of a discount depends on the rest of your marketing mix--products, promotion, service--being competitive. Price, as we noted at the beginning of this unit, is just one marketing variable. To be effective, your price structure must rest on a firm foundation of customer satisfaction with your products and service.

Seasonal Discounts

If your product is sold seasonally to consumers (for example, gift items at Christmastime), you may wish to encourage your retailer customers to spread their buying over a longer period. The seasonal discount is offered to get buyers either to order or to take delivery in advance of normal dates. If he places his orders earlier than usual, you can plan your production and run your shop more evenly. It relieves some of the burden from the peak selling season. If he also takes delivery early, you are relieved of providing storage and insurance for the finished goods at your shop.

Since the seasonal discount does help even out production in the slack periods typically of seasonally-sold products, it is especially attractive to workshops which are concerned with providing steady employment for handicapped personnel. Moreover, the very nature of the handicaps may prevent you from going to overtime work schedules during busy times.

Seasonal discounts are usually promoted to your dealer customers "for a limited time only." That is, you may offer it only for orders placed by

a specified date. The date, of course, is some few weeks before orders would normally be placed for your seasonally-sold products.

Special Promotional Discounts

This last group is similar to seasonal discounts in that they are offered for limited time periods to achieve specific goals. Like all other special purpose discounts, they are given in addition to your basic trade price structure. Here are a few situations in which you might wish to add a special promotional discount to your price structure:

a. You are adding a new product to your line and wish to encourage dealers to stock and sell it. Your special introductory offer may feature a discount on first orders received for the new line.

b. You find yourself overstocked on a particular item and wish to clear it out of your stocks. A special discount may encourage retailers to purchase so that they, in turn, may offer it to their customers as a "weekend special."

c. Your workshop is adding a new set of dealers (perhaps you have decided to sell through hardware stores as well as grocery stores, for example) and you offer a "get-acquainted" special discount on first orders from new accounts for a limited time. Your hope, of course, is that once dealers try your line and discover how profitable and salable your products are to them, they will continue as customers of your shop.

Two Comments on Discounts

Most of our illustrations of discounts have been expressed as additional percentages allowed off selling prices. Any of the special purpose discounts may take another form: more merchandise. For quantity discounts, as an example, you might offer the following schedule:

Buy 10 cases, get 1 free carton.
Buy 25 cases, get 4 free cartons.
Buy 50 cases, get 12 free cartons.

These merchandise-type discounts are especially common for seasonal or promotional discount offers.

The other general observation has to do with the way in which discounts are offered. To avoid conflicts with the federal Robinson-Patman Act, you must offer discounts equally to all customers of the same class who buy the same quantity. That is, you cannot play favorites among customers of the same size (in terms of business done with you) and class. This does not mean that you cannot, for example, set up different basic trade groups for (a) independent grocery stores and (b) chain grocery stores. It does mean that all chain grocery stores must be eligible for that trade discount.

Price Policies

You need to have a specific price policy. Otherwise, you have to rethink your position every time a customer is quoted a price. Before you can set your price policies, however, you need to consider your pricing goals. What are you trying to achieve with your pricing policies? What goals are most important for your shop's marketing strategy? Here are some possible goals:

1. You may wish to maximize profits for your shop. This will involve producing just the right amount to be sold at an optimum price.

2. Because you have a vital and meaningful rehabilitation service to perform, you may wish to price so as to insure steady production and regular employment so long as you are not actually losing money.

3. Or again, you may be so endowed with outside support that losses don't worry you and employment is the only goal.

Whatever your shop's situation, a clear statement of goals is an important beginning to your establishment of price policy.

Once your goals are in sight, you must decide on the price policies you are going to follow. Policies are guides to action. They save you time; they insure equal treatment to customers; they keep you working towards goals. Policies are not carved in stone. You don't set policies once and for all. They have to be reviewed and modified as market matters and cost matters change.

Basically, you need to think about four kinds of price policies. They are:

1. Price Level Policies
2. Price Flexibility Policies
3. Specific Price Policies
4. Geographic Price Policies

When you finish reading this section of the handbook, review your present pricing practices. What sort of policies are you now following? Should they be changed? What policies have you not considered that should be thought about? When you decide to revise or modify your present policies--in the light of your workshop goals--check to make sure all four of these policy types have been considered.

Price Level Policies

When we discussed pricing in general, we noted that as your product assortment offered to buyers differs from the majority of competing products, you may decide to price below, at, or above the going market price for your product. Price level policies are statements of intent as to which practice you plan to follow.

Under the Market. Because your product is not heavily advertised, or because other elements in your market mix do not match competition, you may want to follow a policy of pricing slightly below your competition. You

hope, of course, that because of your lower price policy your volume of sales will be increased enough to make up for the difference in unit price.

Meeting Competition. You may wish to follow a policy of meeting competition's prices in the markets you serve. This is by far the most widely practiced policy in business. You are assuming that the going market price is considered fair by ultimate buyers, and you wish to offer your product for the same price.

Over the Market. Sometimes called "prestige pricing," an over-the-market policy may be followed when you feel that your product can command a higher price than most competing products. Some workshops follow this practice because they feel that buyers' sympathy for the handicapped workers provides a motive for paying an above-the-market price. A few workshops follow this practice because their merchandise is of superior quality.

Price Flexibility Policies

The second major category of price policies to be considered involves the flexibility of your price quotation. Put bluntly: How much "negotiating" do you wish to allow? If you intend to state your price and price structure (with whatever combination of basic and special discounts you deem advisable)--if you intend to stick to this price and structure for all customers, you are pursuing a one-price policy. If you are willing to bargain and negotiate, if you are willing to cut your prices in certain situations, you are following a flexible-price policy. Let's examine both of these briefly.

A one-price policy means that you will offer the same price to all customers who purchase goods under the same conditions. This does not mean

that you cannot alter your price, but it does mean that you keep the same price for a reasonable length of time. Nor does it mean that you cannot offer quantity discounts or other inducements to larger purchasers--so long as you treat them equally by offering all large customers the same discount structure.

Flexible-price policies, on the other hand, mean that you are willing to adjust prices depending on the customer's bargaining ability, shrewdness, family relationship, etc. In the U. S., of course, the one-price policy is much more common, and with good reason. There are some marked disadvantages to flexible-pricing. Some of these are:

a. It may cause loss of customer goodwill (and probably repeat business) when one customer discovers he paid a higher price than another customer paid to you.

b. It encourages salesmen to use price as a weapon, and leads to a lower caliber of selling. Rather than try to sell a difficult customer on the advantages of your line, weak salesmen may take the easier price-cutting road.

c. It involves a violation of the Robinson-Patman Act which prohibits charging different prices to competing buyers for the same goods under the same conditions.

Because of these limitations, the one-price policy is the preferred solution to this category of policies. Let us re-emphasize: you may, and often will, change your price to meet new conditions of market or cost. Under a one-price policy, though, you will make the new price structure equally available to all who qualify as buyers.

Specific Price Policies

Under this third class of price policies will be found some practices of specific price quotation of interest to you.

Price-lining. This is a policy of setting prices on general classes or lines of products and selling all items at one of these general levels. For instance, rather than sell neckties at $1.50, $1,60, $1.65, $1.80, $1.95, and so on, a retailer might carry three price lines: $1.50, $2.50, and $5.00. This procedure works because most customers have ranges of prices which are acceptable to them.

If your shop sells to ultimate buyers, you may want to establish your own price lines. If you sell through retailers who follow this practice, you will want to adjust your product offerings to meet one of these accepted price lines.

Odd Prices. Many retailers quote an odd price such as $1.99 rather than $2.00 to customers. For prices under $50, the odd price is usually one cent or five cents below ($.99, $1.39, $2.29, $2.95, $4.95). Many attribute this practice to the belief that a bargain connotation is given buyers. It is also likely that the practice is retailer-originated to force clerks to make change and thereby record the sale on the cash register. However it got started, odd pricing is a popular and accepted specific price policy for goods sold to ultimate buyers.

Full-Line Pricing. Some of your products may sell faster than others. For instance, each week you may sell 10 of Product A but only 2 of Product B. Full-line pricing suggests that you consider the pricing problem as one of the whole line you sell, instead of a cluster of individual price decisions for your various items. For faster-moving items you may price to get a lower profit margin, recognizing that you will increase total profits because of the volume. On slower-moving products, you will seek a higher

margin, taking care, of course, not to price your product too far above competition.

Grocery supermarket operators follow this approach when they regularly price fast-movers like sugar, soap, beverages, flour, canned soups, etc. with a low margin. A supermarket with average expenses of 20% of its sales may price these items to yield only 10% margin. One study showed that 150 items priced at a 10% margin earned average profits of $1.14 per week while the 4,325 other items earned average profits of only 48¢ a week.

To do this, of course, you will have to have the full array of cost information we have discussed. You know that you can lower prices down to the level of unit variable costs.

As a pricing policy, full-line pricing is far more common to retailing than to manufacturers. Your shop may not produce items that sell at different speeds. It is one of the pricing tools in your marketing kit, however, and can be used whenever appropriate.

Leader-Pricing. This specific price policy is closely related to the full-line pricing. For those workshops which operate their own retail outlets, it is especially appropriate. This policy features selected products advertised as "specials"--"this week only," or "weekend special," etc.--and sold below the normal retail price. Through promotion of such "leaders," you plan to attract customers into your store in the hope that other, fully-priced, items will follow the "leader" item into customers' shopping bags.

For the workshop that manufactures merchandise to sell through other outlets, the special promotional discount amounts to leader pricing.

Geographic Price Policies

The final category of price policies involves the matter of who is going to pay transportation charges--you or your customers. Like most other pricing policies, you will want to consider what competing suppliers are offering customers with regard to delivery services.

Prices are quoted (for sales to businesses) on an F.O.B. basis. This means, technically, "Free On Board," and legally designates the point where ownership passes from seller to buyer. Thus, "F.O.B. Workshop" means that your customers take ownership and responsibility for transportation of goods at your shop. "F.O.B. Buyer," on the other hand, means that you deliver (or pay for delivery) to your customers, and ownership does not pass from you to your buyer until you deliver.

When you sell and deliver in a limited geographic area (one city, for instance), the problem is not so severe. If you do deliver, or pay for this function, it is a variable cost which must be taken into account in your pricing deliberations. Like any other variable cost, the more you deliver the more you pay. You may wish to include some flat delivery charge on a per-unit basis in your cost analysis.

In selling over a wide geographic area, however, the problem becomes more complex. If you sell F.O.B. workshop, customers far away will incur more transportation charges than those close by. If you sell F.O.B. buyer, and wish to charge the same price to all buyers, you must include some average delivery charge. On sales close at hand you will not actually incur all this charge, while on those far away you will pay more than your average.

Some producers use a system called zone pricing which consists of dividing a total marketing area into two or more zones. You then keep the prices the same within a zone. Thus you may have noticed consumer product advertising stating "prices slightly higher West of the Rockies." This is an example of a two-zone policy.

Pricing The New Product

Without doubt, one of your most difficult pricing decisions is that of setting the price for a new product. Often, unless you have made some test production, your cost estimates are less than precise. Your estimates of market matters will not have been tested by actual sales, although you will want to use every bit of available market information about competing products and the prices they bring.

As we mentioned in discussing cost-plus pricing, perhaps this method can serve as a starting point, coupled with careful market study. Test marketing is another way. This involves selecting two or more test stores, neighborhoods (if you sell door to door), or cities of about equal sales potential and then trying out one or more prices. A less precise way, finally, is to ask a group of retailers or consumers what they think one should pay for such a product. You must remember when doing this, however, that it is easier to say what one would pay than it is to part with scarce dollars of spending money.

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PRODUCT DEVELOPMENT

The sheltered workshop, like any other manufacturing enterprise, must continually search for new product ideas and can never let up in its efforts to improve those already being made. The existing line tends to become obsolete with narrowing profit margins under the pressure of competition. The consumer's loyalty to his accustomed suppliers and familiar products is seldom strong enough to resist the attractions of new design or functional improvements of competitive products or to withstand the introduction of completely new means for satisfying established or latent demand. If product analysis does not yield a change in appearance or performance, market preference may be achieved through price reduction based upon materials or process modifications.

It is not enough for the workshop merely to keep abreast of product development around it. Such a policy forces a constant and often frustrating struggle to keep caught up with competition. Product changes are usually effected only after the favorable initial market and profit advantages have been realized by more progressive managements.

A program for product improvement or development involves a fairly well standardized series of steps. Product ideas must be secured and appraised for production and market feasibility, production requirements and procedures must be worked out with special attention to keeping costs at a minimum, the sales plan must be set up, and the legal problems incident to manufacture and sale must be cleared.

Product Ideas

The average sheltered workshop does not enjoy the advantage of a research or engineering staff nor is it financially able to retain the services of product development consultants. It must rely mainly upon the imagination and intelligent observation of its management, salesmen, other employees, and customers. The Sales Manager, in particular, should be ever alert to new product and product modification opportunities as he reads, shops, or confers with suppliers, customers, his own salesmen, or dealers. Salesmen should be encouraged to report product ideas, and shop employees' suggestions should be cultivated. Competitors' product lines ought to be constantly reviewed, exhibits and trade shows visited, and full use made of the product-related services of the U. S. Department of Commerce and the Small Business Administration.

A list of product ideas will ordinarily suffer drastic shrinkage during the consideration of such matters as the equipment investment required; availability of materials; labor skill needed; size, location, and permanence of the potential market; length of the production process; degree of quality control required; appropriateness to present product line; marketability through the present sales organization and channels, the plans and strength of competitors; and, above all, the profit potential.

While the Sales Manager may be expected to take the major responsibility for stimulating product development or evolution, the analysis phases suggested above obviously require the collaboration of the production, finance, and accounting talents of the workshop under the coordination of the Director or General Manager. Product development is a team effort; decisions on such an important matter should have the benefit of group discussion and consideration.

Production Requirements

The Sales Manager has relatively little to do with the details of determining production requirements. Decisions regarding equipment, supplies, materials, production personnel, process, quality control, storage, and shipping facilities are the responsibility of the Production Manager. The Sales Manager should be familiar with these problems and does have a direct concern in their satisfactory solution particularly with respect to the adoption of a marketable design, the maintenance of quality standards, and prompt delivery to customers. His principal influence upon production lies in the sales forecast he makes since the production goals, manufacturing requirement plans, and cost estimates are based upon it.

Sales Plans

The initial and perhaps major task for the Sales Manager in preparing a sales plan or program is the estimation of the sales volume that can be reasonably expected from the new or improved product. Sales forecasting is by no means an exact science, and the accuracy of the estimate is very much affected by the skill and care with which hard-to-find and somewhat uncertain data are used. In addition, the attempted achievement of accuracy is so costly and time consuming that the refinement process may cost more than it is worth or take so long that the final figure is out of date by the time it is ready for use. Nevertheless, a scientific approach to sales forecasting will yield something a great deal better than a pure individual guess or a collective hunch, and the Sales Manager will have to decide, all factors considered, when his judgment should take over from data manipulation.

Sales forecasting methods vary somewhat as between consumer goods and industrial goods, with the availability of sales records for the firm or product, and with the resources of the forecaster. For illustrative purposes, a simplified and generally applicable procedure is outlined below for use by a sheltered workshop in estimating the sales potential for a consumer product for which past sales records are available.

1. Using figures from as reliable a source as possible (trade associations, trade publications, census reports, or other governmental agencies), determine the approximate total U. S. sales for the product. If the product is new, use data for the product or products it is intended to replace.
2. List all the factors (economic, production, marketing, consumption, etc.) which appear likely to have a substantial effect upon the total sales volume during the forecasting period.
3. Estimate, for each such factor, the plus or minus effect in percentage upon the product's sales potential.
4. Increase or reduce the past sales total (from step 1) by the net percentage of anticipated change to secure the estimate of total U. S. sales for the forecasting period.
5. Determine the political boundaries of the planned market or trading area in which the product is to be sold.
6. Refer to the current edition of the Survey of Buying Power and add together the Buying Power Index percentages for each of the component political units of the trading area[1] to get a total

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1 Published annually by the Sales Management Magazine, 386 Fourth Avenue, New York 16, New York.

index of the area's share of the U. S. consumer goods buying power.

7. Multiply the area index percentage by the predetermined U. S. potential (derived in step 4) to yield the dollar sales potential for the proposed market area in the forecasting period.
8. To find the workshop's percentage share of the U. S. potential, revise the past sales total by the procedure used in steps 2 and 3.
9. Multiply the new potential share percentage for the workshop by the dollar figure from step 7 to secure the workshop's dollar estimate for the forecasting period.

Example of Computation

1. Base year total U. S. sales of product - $5,000,000
2. and 3.

Plus

Improved production techniques	2%
Improved consumer income	1%
Product stocking by super markets	2%
	5%

Minus

Anticipated cost and price increase	1%
Net change Plus	4%

4. 104% x $5,000,000 = forecast of total U. S. sales of $5,200,000
5. Market area - States of North and South Carolina and four counties in Virginia
6. Buying Power Index for market area totals 3.1552% of U. S.
7. 3.1552 x $5,200,000 = $164,070, the estimated sales for the market area

8. Sheltered workshop's past share of sales = 20%. Increased sales effort expected to increase share by 25%.
9. 25% x $164,070 = $41,017.50 sales forecast for the sheltered workshop.

It will be recognized, of course, that the most effective use of the suggested procedure will require the talents of an experienced marketing research man and that the vitally important determination of the likely profitability of the forecast volume will need, in addition, the services of qualified production and cost accounting personnel. If this assistance is not within the workshop staff, the significance of product change or addition to the workshop's success warrants the hiring of such services.

If the proposed product has no sales history, the task of forecasting will be much more difficult. The estimation of a sales potential will have to be based upon the combined judgment of persons familiar with the product or market, market surveys among potential consumers or users, or market tests of a limited production of the item. Surveys of consumer opinion or buying intention are notoriously unreliable, and market tests, while conclusive as to buyers' reactions, are expensive and difficult to administer. The sheltered workshop Sales Manager will probably have to rely upon consultation with his salesmen, dealers, customers, and the suppliers of workshop needs.

For new industrial goods, a rather common forecasting technique requires the interviewing of a sample of potential buyers in order to establish an average purchase volume per firm. If the sample is truly representative of the prospective customers, the multiplication of the average potential purchase by the number of similar firms in the market should provide a reasonably

scientific guess of the industry potential. The method outlined for consumer goods is not equally applicable to industrial goods since industry is the significant factor rather than area buying power.

Along with the determination of the sales forecast, the sheltered workshop Sales Manager will need to consider the adaptability of the product to the present sales force and marketing channels, the nature of the advertising and promotion needed to support the planned personal selling efforts, and the reallocation and coordination of sales emphasis among the old and new products. Provision should be made, also, for a "feed-back" of market reactions from salesmen, channels, and customers so that a judgment can be made in due course on the contribution the new product makes to the overall sales results. A very small percentage of product ideas ever makes the grade, and the Sales Manager has a special responsibility to be fully aware of the causes of success or failure of each item in his line. The acquisition of this knowledge is indispensable in effective product development.

Legal Aspects

As in the case of production requirements, the Sales Manager is not, and should not be, responsible for clearing the legal problems attending new product development. These matters are properly left to the workshop's legal counsel, and the Sales Manager should limit his participation to being sure that attention has been given to such problems as patent and trademark protection; royalties, if involved; possible violation of labeling or advertising regulations; compliance with price and trade practice laws; taxes; and sales contracts.

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PRODUCT GUARANTEES

Successful sellers have learned, maybe the hard way, that they must stand behind their merchandise. Your customers, be they retailers, housewives, purchasing agents, or otherwise, expect you to sell satisfactory and acceptable products and to take appropriate action if one is defective. Your competitors exert this same pressure on you.

So, here is a short unit that considers briefly the product guarantee. First we look at the importance of product guarantees; then we look at features of these guarantees.

Importance of Product Guarantees

Just what is a product guarantee? Essentially, it is an agreement or an understanding between you and your customers, an agreement which, to you, is a promise. Your promise is that buyers of your products will be happy--or at least satisfied--with their purchases. If your product causes unhappiness or dissatisfaction, you'll do something about it.

All buyers are inclined to listen to sellers with some caution, sometimes with doubt. Buyers have learned that sellers must be optimistic--even biased--up to a point. It's only natural for a buyer to expect you to back up your promise of product satisfaction with some type of proof. He expects you to live up to your responsibility for a mutually advantageous sale and purchase. He expects you to "right" certain product "wrongs" should they develop.

The product guarantee, thus, helps you convert prospective customers into actual customers, then helps you hold on to them. The guarantee is a favorable influence on your sales volume because it is assurance to the

buyer. By indicating your confidence in the outcome of his purchase, the guarantee makes a strong bid for the buyer's confidence.

A glance at the importance of product guarantees can't avoid raising this question, "Is the customer always right?" Is he? Is she? Usually, yes! A few buyers will try to abuse your guarantee, but not many.

Once in awhile, an irritating type of product complaint will be filed with you. A housewife will complain that one of your products was defective. She wants you to replace it. Actually, she was talked (often high-pressured) into buying the item by some crook who claimed to be selling for a genuine sheltered workshop. He may even have said he was connected with your shop and that the merchandise he sold was made in your shop. What do about such complaints? Some workshop managers replace the item without question or comment, feeling that such action is justified in the interest of long-range goodwill and success.

Features of Product Guarantees

How do you make good on a product guarantee? There are three common patterns.

(1) Replace. You give the buyer another of whatever he or she bought. Replacement should be made with obvious willingness and cheerfulness. Questions of an accusing nature should not be asked.

(2) Repair. Instead of giving the buyer a new item, here you make the defective product as good as new. No charge, of course.

(3) Refund. "Satisfaction guaranteed or your money back." How

many purchases do you suppose have been encouraged or even triggered by this reassurance!

Any one of these three--replace, repair, refund--can be administered in such a way as to make a powerful bid for first purchases and for future purchases. Buyers don't want defective products. Buyers don't want products which deliver less performance than those products should. Buyers do want products that work well over a satisfactory period of time. Buyers do want products of uniform quality and dependability. The issue is clear, and your goal is obvious--customer satisfaction.

How should your guarantee be worded? Some are broad, some are quite specific and restricted. For you, the wording may not be so significant as your determination to stand back of what you sell--to go far in the direction of seeing that your customers are satisfied with your products. Certainly you need to think out what you will do in various circumstances. Then write it. Be certain your salesmen know all they should about your product guarantee. Be certain each buyer understands your guarantee at the time he makes his first purchase from you.

Most workshops have found that the general, unlimited guarantee is the type they should use. Furthermore, they are liberal and generous in administering it. This is particularly true where selling is done by telephone or by mail. In both types of buying, the buyer cannot inspect what he buys. If there are restrictions or qualifications in your product guarantee, they should be fair to all and clear to all.

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PUBLIC RELATIONS

Just what is Public Relations? It consists of the relations which exist between you and your "publics." Just who are your "publics"? As a seller of products or services, your publics are:

Ultimate consumers	Wholesalers and retailers
Local groups	Suppliers
Key individuals	Media of communication
Competitors	Potential donors

Each of these "publics" will be discussed later on in this section. To save time and space, we'll refer to Public Relations by its initials--PR.

Basic PR Concepts

PR Phases

PR breaks down into three steps or phases. Phase #1 consists of living right. Here you start off by being observant and attentive--by stopping, looking, and listening so as to learn what your "publics" think of you. If every "public" approves your actions, finds your behavior to be responsible, considers your conduct to be proper, knows your operations to be sound and your dealings to be honest--then you're living right. If not, your immediate job is to straighten up, to correct whatever needs to be changed. So long as there is unsoundness, so long as there are defects or deficiencies, so long as anything is not "right"--so long will your PR continue to be unsatisfactory.

Once you are living right, you are ready for Phase #2. In it, you see that your "publics" know you are living right. Here you communicate to your "publics," you report on what you are doing, you tell the story of

your shop. Often in Phase #2 you will need to explain and to interpret your actions, letting your "publics" know why you do what you do, and what the effects will be on them.

Phase #3 consists of getting credit for living right. It is the natural and normal response of an informed "public." You benefit because when you tell your story (Phase #2), you influence your "publics" favorably. They give you recognition, cooperation, and support.

PR, thus, is not a specialized activity such as production is. PR is not a specific function such as marketing is. PR is not, above all, a smoke screen which can be used successfully to hide unfairness or unsoundness. Rather, PR is the art of getting along nicely with individuals, groups, organizations, and institutions.

Your "Publics'" Point of View

Your "publics" know of your existence--or they don't; they understand what you do--or they don't; they like you and approve of you--or they don't; they work to make your activities and programs more effective--or they don't.

Your role, by its very nature, is excellent; it is not open to much controversy. You contribute a service to society, you help the handicapped, you are non-profit. Your community and the various "publics" within it are willing to become interested in you, in your shop, and in what the two of you are doing. These facts add up to a delightful conclusion, namely, that your "publics" are ready and inclined to have good attitudes toward you.

Your PR Recognitions

Your first recognition must be that relations with your "publics" are unavoidable and that the effects of these relations will certainly help

you--or hurt you.

A second recognition is that you (and only you) must accept the responsibility for your shop's PR. You yourself must see that your "publics" understand your role, objectives, activities, and achievements. Responsibility for PR demands hard and endless work, but it's worth doing. It demands that you plan and then execute a sound, complete, long-range program. Such a program will reflect your shop's problems, its practices and procedures, its policies--even your own personal principles and philosophy. To many persons, you not only represent and head your shop--you are the shop.

A third recognition is that your entire staff is involved. Every member of that staff makes impressions which affect your PR.

Fourth and finally, do resign yourself to the fact that everything your shop is, has, and does affects your PR. Anything that helps determine attitudes and feelings toward your shop helps determine your PR. You won't be wasting time if you ask such questions, for example, as these:

How does my shop look--inside and out?

How do its grounds look?

What impression does my receptionist make on visitors?

Just what do my letters say?

How do we rate on telephone manners?

What feelings do salesmen carry away after calls on us?

PR and Salesmanship

Buyers are the one most important "public" a seller has. Buyers can keep a seller in business; or, buyers can force him out of business. Your "buyer public" is made up of customers (those who should buy from you--and

do) and of prospects (those who should buy from you--but do not). Your relations with buyers must be good.

Your salesmen play the one most important role in determining what your relations with buyers are. Except for you yourself, your salesmen are usually the only personal contact your shop has with buyers. Its salesmen are the workshop to buyers. A buyer's reaction to the salesman is the buyer's reaction to the shop--the buyer's opinion of the salesman is the buyer's opinion of the shop. If you and your salesmen achieve better PR with buyers, those salesmen will sell more effectively to those buyers. (See separate section on Salesmanship.)

PR and Advertising

PR is broad. PR includes all your communication with all your "publics." Advertising, of course, is one form of communication; consequently, advertising is one segment or part of PR. The correct view is that advertising is one of the tools of PR. (See separate section on Advertising.)

PR and Publicity

Publicity, like advertising, is a tool PR uses. (See separate section on Publicity.)

Do You Need Good PR?

Do you care whether or not the general public knows of your existence, your availability, your services? Does it matter if that public understands and approves your practices, policies, personnel, and program? Can you accomplish more with the trust, confidence, goodwill, and high regard of that public than without it?

Can you benefit from allies who appreciate what you are doing--who give you financial and legislative support? If you enjoy prestige and respect, will more volunteers participate in your activities and contribute time and effort to them? Would you like to have more friends who will speak up boldly and loudly for you and your shop, defending it and promoting it? Do you want more customers who are loyal and more suppliers who take special care of you?

Do you ever need to correct inaccurate ideas about your shop? Must you ever attempt to influence attitudes so as to influence actions? Do you sometimes wish that public opinion were more favorable? Do you hope to be considered right, fair, courteous, sensible, competent, and businesslike?

Do you want to increase your sales volume?

If your answers to these questions are No's, then you don't need good PR.

Your "Publics" in PR

What is a "public" as the word is used in PR? A "public" is a group of similar individuals--an assortment of persons having the same interests, problems, circumstances, and goals. The "publics" of commercial, profit-making firms were identified some years ago. A contrast of these firms with sheltered workshops looks like this:

"Publics" of interest to	Commercial Firms	Sheltered Workshops
Competitors	Yes	Yes
Educators	Yes	Somewhat
Employees	Yes	Somewhat
Government	Yes	Somewhat
Key Individuals	Somewhat	Yes
Local Groups	No	Yes
Media of Communication	Yes	Yes
Potential Donors	No	Yes
Stockholders	Yes	No
Suppliers	Yes	Yes
Ultimate Consumers and Customers	Yes	Yes
Wholesalers and Retailers	Yes	Yes

The rest of this subsection contains comments about these groups which are of significant marketing interest to you: (1) Ultimate Consumers and Customers, (2) Wholesalers and Retailers, (3) Suppliers, (4) Competitors, (5) Media, (6) Key Individuals, (7) Local Groups, and (8) Potential Donors.

(1) Ultimate Consumers and Customers

The ultimate individual consumer for most products of most workshops is the housewife. Her goodwill is an absolute must because she decides whether your products stay on the market--or disappear. She wields life-or-death power over your production and marketing of household products. Mrs. Housewife wants a product which will do the job she buys it to do; she wants a reasonable, fair price; she wants you to back up your products and see that she gets satisfaction. You want Mrs. Housewife to buy your product, to use it happily, to like it so well that she repurchases--again and again.

A different type of ultimate buyer (we are calling him an "Ultimate Customer") is the general business firm with nuisance or other high-cost, highly-troublesome jobs which that firm may subcontract to sheltered workshops seeking that type of work. In making a pitch for some of this business from manufacturers, service firms, and other prime contractors, workshop executives need the goodwill of (1) top management and (2) supervisors in those firms.

(2) Wholesalers and Retailers

If you use wholesalers and/or retailers to move your merchandise to Mrs. Housewife, good relations with them are of obvious advantage. What do you want from these middlemen? You want them to stock your products and to

push the sale of them; you want middlemen to like your products, to like you, to like to buy from you.

What do wholesalers and retailers want from you? They want good products, good service, and at least as good a profit as they make on competitive merchandise. They want your dealings with them to be sound and businesslike. They want you to handle their complaints with speed and fairness. If you can pass on to them any profitable suggestions about selling your products--fine! Above all, wholesalers and retailers want you to see and to recognize that, to a degree, their problems are your problems.

There is every reason for you yourself to visit and to be visited by key middlemen. Then, as already implied, your relations with most middlemen are greatly determined by your salesmen's relations with those same middlemen. Wholesalers and retailers quickly spot (and buy little or nothing from) the salesman who is ignorant, indifferent, high-pressure, undependable, or too familiar.

(3) Suppliers

You who sell products find yourselves in the middle between two groups; you sell to one group (Mrs. Housewife, Mr. Retailer, Mr. Wholesaler; and, Mr. Purchasing Agent)--the other group sells to you. The group you sell to looks at you in exactly the same way you look at the group from which you buy.

Most of your suppliers are manufacturers and wholesalers; they sell you materials, supplies, and equipment. Your other suppliers sell you services of various kinds.

What do you want from these suppliers? You want them to classify you as and to treat you as a good buyer to sell to and to deal with; you want

them to act almost as though they were business partners with you. You want their confidence and close cooperation. You want fair dealings which benefit both you and them.

How do you become a favorite customer of a supplier? Here are some DO's and DON'T's which will help:

Do pay your bills promptly--your suppliers will love you.

Don't place small, unprofitable orders; you hate to fill such, don't you?

Do be courteous to salesmen who call on you.

Don't cancel, return, or complain without justification.

Do try to understand and respect suppliers' rules of doing business.

Don't spread your purchases among too many suppliers.

Do be frank and honest with suppliers.

Don't make unreasonable requests.

Do keep a record of your dealings with each supplier.

Don't fail to work for long-term relations with suppliers.

What are some of the benefits of good PR with suppliers? You will make out better on products, prices, and service. Suppliers will be more generous with helpful advice and suggestions. In normal times, you will get more of whatever "goodies" (suppliers usually have to ration these) suppliers have to distribute among their customers. In times of emergency or shortage, you will get preferred treatment. Finally, suppliers and their salesmen will give you favorable word-of-mouth publicity, and that is both pleasant and worthwhile.

(4) Competitors

You have three kinds of reputable competitor: (1) other workshops, (2) commercial firms who offer the same types of products or services you offer, and (3) departments in general business firms whose work you can do--perhaps better and cheaper. Your hope is that these respectable competitors feel that you, too, are a decent vendor to compete with and to sell against. It is not unknown for a commercial firm to bid against a sheltered workshop and then see the contract awarded to that shop. The commercial firm, understandably, may wonder or even suspect that (1) community funds or (2) substandard wages enabled the workshop to quote the lowest bid and get the business. This PR problem has no simple solution; more information to commercial competitors about you and your operations is, perhaps, as good an approach as any.

Your disreputable competitor is the crooked operator who claims to be a genuine sheltered workshop but is not. This problem, too, has no simple solution. Your Better Business Bureau may be of some help.

(5) Media

Because they can give you favorable publicity, media of communication (newspapers, radio, television, magazines) are an important "public" of yours. The section on Publicity contains a treatment of media, a treatment which need not be repeated here.

(6) Key Individuals

In every city there are prominent citizens who are "opinion leaders"; they are watched, respected, and followed by the rank-and-file citizens. These key individuals can be your champions and backers. They can present

and promote you and your shop to the persons and groups they influence. Then, they can report back to you on how you stand with those persons and groups. Those are valuable favors to you.

Who are key individuals in your city? These are the most important ones:

City and county officials
Legislators
Clergymen of all faiths
Educators
Well-known professional men and women
Prominent businessmen
Officers of organizations and groups
Socially prominent persons
Editors of publishing and broadcast media

Why are key individuals just that? Some because they were elected, some because they were appointed. Some have vocations or professions which are partial explanations. Some have status and influence based on job, position, social standing, wealth, power, or on strengths of various sorts.

Key individuals are an important "public" to you because they act--and others follow; they make known their attitudes and their decisions--and others adopt and imitate. If you will "capture" the leader of a group, he (she) often can put his (her) group to work for you. For example, two or three key women can get their Women's Club to sponsor an annual sales event for you.

(7) Local Groups

In your city there are various groups or organizations which can contribute to even greater success for you. These groups are civic, business, social, religious, youth, and educational. Here are some examples: Lions, Scouts, Junior League, National Council of Jewish Women, Business and

Professional Woman's Club, Y.M.C.A., Y.W.C.A., Methodist Men, American Association of University Women.

These organizations can supply many man-hours and women-hours of volunteer help--high-quality help, too. Good relations with these groups are encouraged by enlisting them to do certain specific jobs for you, by giving them a sense of participation in a worthwhile program, by arranging for them to feel identified with and involved in your activities.

(8) Potential Donors

Good PR with well-to-do individuals, with groups and organizations, and with foundations can result in delightful gifts of financial support.

Sell Quality--Not Sympathy!

By now, it is clear that soundness is a "must" for satisfactory PR. Nowhere is this soundness more essential than in the products or services you sell. When a product or a service fails to satisfy the buyer, the person marketing that product or that service is not a legitimate, businesslike seller at all. At best, he is a beggar--at worst, a cheat and a fraud.

It's perfectly all right to volunteer to a buyer that a product is made or a service is performed by handicapped persons. But you must not expect buyers to buy such products or services merely because of who made or performed them. Suppose a buyer does make his first purchase on the basis of sympathy. Unless he finds that he gets his money's worth, seldom if ever will he buy a second time. And never forget--you must have repeat purchases.

So, don't sell charity--sell merit. Don't sell handicaps--sell buyer-satisfaction. Don't sell who made the product--sell what the product will do for the buyer. Don't sell sympathy--sell quality!

What Are Your Public Relations--Right Now?

Having cleared away the background matters covered up to here, let's now raise the question: In what shape are your Public Relations at this moment? How can you tell? Four suggestions follow.

1. Personal observation, yes, by you, can reveal much. For example, notice as often and as much as you can what happens when one or more members of one of your "publics" comes into contact with any of your workshop personnel. In addition, keep posted on what is said about your workshop in your newspapers and over your broadcast stations. Try to note, over time, whether the number of your problems is decreasing and the number of your friends increasing.

2. Your internal records can supply clues--even evidence--about the state of your PR health. Correspondence from your "publics," particularly negative comments, may point to something that needs changing. Complaints from customers or from suppliers can tell a story; so can salesmen's reports. The same is true for those customers who, each year, quit buying from you. Just why did they stop? Even a rapid examination of internal records often throws light on the state of your PR.

3. Questioning and listening are a third step you can take. Your conversation can be with a single person--or with a group; it can be totally informal--or planned and scheduled in detail. Conversation with opinion leaders, editors, key customers, your own salesmen, and with members of your board can be quite informative. Valuable discussions can be had with other workshop executives to discover how they learned of good PR, or bad. Finally, frank exchanges with professional PR individuals who practice in your locality can be rewarding.

4. A survey of "public" attitudes is the fourth suggestion. Essentially, it is a refinement of step #3, a refinement of questioning and listening. You yourself can conduct such a survey, informally, by mail, telephone, face-to-face interviews, or group discussions. For a modest survey, you might limit yourself to individuals connected with newspapers, radio, television, PR, and advertising. You would ask them their impressions of your PR.

Communication

Without communication, there can be no PR. Communication is the basis of all PR--both good and bad. Your communicating to and with your "publics" must never stop. Why? Because the achieving of better PR must be a continuing, a never-ending effort.

Elements In Communication

There are five elements essential to effective communications. First, there must be a sender or a communicator. That is you. Second, there must be a message which is the communication. Third, there must be a medium or vehicle which transmits the message; an example, your newspaper. Fourth, there must be a receiver, an audience to whom you aim your message. Fifth and last, the communication of interest to you has a purpose to achieve or a goal to gain; so the final element in successful communication is a response from the receiver.

Communication Tools

What tools do communicators use? Words are the big tool--the spoken word and the written word. The spoken word can be made more effective, for example, by the skillful use of tone of voice, pitch, volume, speed of

delivery, and pauses. The written word can be influenced by size of type, use of capitals, underlining, the use of color, even the use of white space.

There are other tools in addition to words. Pictures can be great communicators. Sounds and sound effects communicate. Symbols, gestures, facial expressions, appearance, and manner are other tools. For you, words and pictures are the most useful tools.

One-Way vs. Two-Way Communication

When you do one-way communicating, you tell, you report, you inform, you make known--you may do nothing more than convey an impression. Two-way communication, however, is much superior to one-way communication. When you do two-way communicating, you experience an exchange of ideas, facts, thoughts, information, or opinions. You share concepts, you act and react, you stimulate your receiver and he responds--and then his response causes a response by you. Two-way communication is a must for you who manage and administer. You in management communicate for a purpose--to bring about something you want. So, you must have "feedback"--you must check to determine that your message was received and grasped--you must have communication back from your receiver to you--you must achieve two-way communication.

Your PR Message

The message you send will, of course, depend on the "public" to whom you are communicating and on the response or reaction you want. Often your message will be somewhat of a report, factual and informative. At other times your aim will be to explain how your programs and activities contribute to your community. At still other times you will want to impress certain persons with the nature of your problems and with the

seriousness of your needs. Always you will be concerned with endowing your workshop with a pleasing personality--with creating for it a favorable image--with increasing its number of friends.

What About Semantics?

Semantics deals with the meanings of words, the uses of words, the responses to words. What do these words mean to you: cheap, liberty, good, security, love, freedom? What does the word handicap mean to the general public? What about the term sheltered workshop?

If you are to communicate with one of your "publics," your words must mean the same to members of that "public" that they mean to you. Those members must understand what you say, and you must understand what they say. So, try to select words that are correct and accurate. Use as many familiar, well-known words as you can; their meaning is usually clear and understood. Concrete and specific words are better choices than vague, abstract words. Fancy words and foreign words are risky. Don't overuse pet words; don't use overused words. Short words are better than long words; don't interrogate--just ask; don't accomplish--just do; don't undertake--just try.

Tips On Writing And Speaking

Most of your sentences, like most of your words, should be short. A sentence range of 10-20 words is good, and many sentences of 12, 13, and 14 words should be used. Long sentences can suffer from two handicaps. They discourage the reader, and their meanings may not be clear. One idea is enough for the typical sentence. Fragments and phrases (in contrast to complete, grammatical sentences) are used and accepted more than they once were.

One idea was enough for a sentence--one larger idea is enough for a paragraph. It is perfectly all right for you to use a few one-sentence paragraphs, and a range of 3-6 sentences is good. Short words--short sentences--yes, paragraphs should be short. The flow of thought from paragraph to paragraph should be smooth.

Written and spoken communications must be soundly organized. The degree of clarity you want is such that readers or hearers cannot miss nor misinterpret your meaning. Isolate and emphasize your strong points. Your style benefits from being natural, fresh, and interesting. Better leave humor and cleverness alone--unless you are mighty skillful with them. Your message should be easy to grasp--so easy, in fact, that no one must "work" to get its meaning. Few individuals are willing to do that sort of work.

How Are "Publics" Influenced?

You have just had an oh-so-brief glance at a few features of communication. All your PR communicating has purposes and objectives, namely, to get your "publics" to think and do as you want them to think and do. Your aim is to influence their attitudes and their actions. What happens to a person whose attitudes and actions are being influenced? Let's break the process down into five phases. You are the influencer, the communicator; the person you want to influence is a member of one of your "publics." Let's imagine him to be a key individual--let's use a hypothetical key individual as our example.

Phase #1 calls for you to deserve and get the trust and confidence of this key individual. That individual will not listen to you nor accept recommendations from you unless he trusts you. Once you have this confidence, you can then communicate. In brief, you promise the key individual

some advantage, benefit, or satisfaction in return for doing what you want him to do. This matter of motivation is discussed in the section on Salesmanship and need not be repeated here.

During this first phase, your key individual becomes somewhat aware of you; he gives you some (but not his concentrated) attention. At the end of this phase he has received only a small amount of information.

Phase #2 finds you continuing your message, expanding it, and enlarging on it. You stress what is of personal interest to the key individual. You talk about his hopes and fears, his goals and problems, his concerns and dreams.

Now you note a show of interest in the key individual. His interest increases. He begins to give some thought to your message. He indicates a willingness to learn more about what you have in mind.

Phase #3 contains your suggestion, your recommendation, your request for the response you want. This is your bid for action. The great need here is for you to be clear and specific in telling the key individual exactly what you hope he will do. Maybe a case history of what some other key individual did will help. If you can offer a limited participation in your program, maybe that would be a worthwhile inducement.

Your key individual is now giving serious thought to your proposal. He considers it, evaluates it, weighs its plus points against its minus points. He wonders, "How would I make out if I did what this workshop executive wants me to do?" Then, he takes the crucial step--he decides to cooperate with you.

Phase #4 asks you to stand by, alert and ready. You think your message was received and understood. You think the key individual and you are

thinking alike. You think you are going to get the response you wanted. But, you are in position to repeat and rephrase, to clarify and assist if such need develops.

This stage is one of action for your key individual. If you offered to let him participate on a limited scale or for a limited time, his action may, for him, be an experiment--a "trial order" as it were. He may withhold full commitment and complete cooperation until he sees how the limited program works out.

Phase #5, essentially, is a continuation, an expansion of a happy Phase #4. You started out to influence a key individual, you succeeded in affecting his attitudes and in effecting action from him. He is pleased with his decisions and assumes he will give you full-scale support and cooperation indefinitely.

Five Approaches Toward Better PR

Sellers use various methods and techniques in their attempts to communicate with their "publics." Do remember that the overall purpose of this communication is to influence attitudes and actions favorably. Many sellers count on publicity and on advertising to do most or even all of the job. This handbook contains a section on each. Some sellers use two forms of communication we classified under Sales Promotion. These two are direct mail (reports, correspondence, newsletters, etc.), and point-of-purchase materials (merchandise racks, retail window displays, cards for store counters, etc.). In addition, there is a large group of miscellaneous items used in PR communication (automobile bumper strips, labels, stickers, rubber stamped messages, bookmarks for grade-school pupils, etc.).

The rest of this subsection deals with five specific approaches to better PR--all appropriate for use by you. These are: (1) tours of your shop; (2) open houses; (3) word-of-mouth communication; (4) speeches by you and by members of your staff; and (5) meetings.

(1) Shop Tours. As the term suggests, one or more individuals can take a trip through your workshop, a conducted trip. The conductor? You!

The secret of a successful tour of your shop is the planning and experimenting needed before you conduct your first actual tour. Experimentation can lead to a "standard" trip, and that's what you want to design and settle on.

Decide on your starting point; locate each subsequent stopping point; set up the most appropriate sequence; and, know exactly where the trip will end. Determine what signs, if any, and what helpers, if any, you will need. (Make it easy and unembarrassing for a visitor to get to a telephone or a workroom.) Have a description or an explanation for each stopping point. Do a "dry run," timing each phase of the tour. Then, just before each actual tour, see that your personnel and your physical place are dressed up properly to receive guests.

Invitations can be issued by telephone or by mail--to individuals or to groups. Some shops incorporate luncheon or supper into certain tours. Many have a leaflet or other literature of some sort to give visitors at the end of a tour.

(2) Open Houses. There are two basic types of open house. One, the non-recurring type, is appropriate when, for example, a new building is being occupied, or, for another example, a very famous person is paying you a visit. The second type, obviously, has to be the recurring kind, being

held most often on an annual schedule, perhaps on an "annual day" or during an "annual week."

Sponsorship of an open house starts with the selection of a favorable date. The guest list is then made up and invitations issued. Some of you will want to tell guests how to reach your shop and where to park. All necessary guest accommodations will, of course, be arranged for in advance.

You will greet your guests, show and tell what you should, serve refreshments, and then see your guests on their ways, perhaps with some small souvenir of the event.

Do remember to arrange in advance for publicity stories and pictures covering the open house.

(3) Word-of-Mouth Communication. This approach to better PR follows shop tours and open houses--because much favorable conversation and many favorable comments are just what you hope will happen after tours and open houses. Of course, you want favorable word-of-mouth communication at other times, too.

This communication can be of two types. In one, you talk to a member of one of your "publics." In the other, that member talks to some member(s) of some of his circles or groups. Your hope is that favorable reports about you will circulate and keep on circulating.

Word-of-mouth communication is subtle; it is difficult to control. It can be powerful in its effects, particularly if the subject is an emotional one.

If you initiate a telephone campaign (and they can be very successful for you), these are sound rules to observe. (1) Select as callers persons with pleasing personalities, pleasant telephone voices, and proper telephone

manners. (2) Spend enough (and often this is much) time drafting the message to be sent. (3) Check the list(s) of individuals to be called to make certain of the correctness of those names. (4) Try to arrange for each person on the list to be called by a friend--at least by an acquaintance. (5) Instruct your callers to continue calling each name until that person is reached.

(4) Speeches. You can make speeches which will improve your PR. Certain persons on your staff can do the same. You and those persons can speak with authority. Certain friends of yours can make speeches which will strengthen your relations with certain "publics." Often these friends enjoy good acceptance from their audiences because the friends are not on your payroll.

A good speaker is one who qualifies on these counts: (1) he knows what to talk about; (2) he knows enough about what he talks about; (3) he knows how to talk about it; (4) he knows when to stop talking about it. At this moment, you already are a good speaker--or you can certainly become one. (Without too much effort, too.)

You need several speeches. That way you can make appropriate talks to different types of audiences, and you can appear before the same audience more than once without repeating yourself. Each of your speeches will benefit from suitable visual aids--slides, charts, diagrams, photographs, samples of products your shop makes or of services it performs. Each will benefit if you budget time for a question-and-answer period at the conclusion of the speech. These periods provide two-way communication. They add to audience interest and identification, they lead to workshop support--and now we're back to better PR.

You will (or can) get speaking invitations from schools, clubs, Chambers of Commerce, Junior Chambers of Commerce, church groups, veteran groups, women's clubs, civic clubs, and the like. Be sure to get publicity on every speech you make to them.

(5) Meetings. There is, of course, considerable overlapping between the term meetings and several of the terms already used. After all, you can't have an open house without having a meeting--of a sort.

Meetings can be conferences, discussions, institutes, round tables, training sessions, panels--even the revolting term "buzz session" is found applied to a meeting. For a long time there have been luncheon and supper meetings; now, there is even the breakfast meeting. One of the most simple, most convenient types of meeting for you is for you to arrange to be present at a regular meeting of some group. (A variation on this is for you to get organizations to hold one or more of their meetings in your workshop.) Perhaps the simplest meeting takes place when you and one key individual have a cup of coffee together.

Meetings can be arranged to permit that most essential process--two-way communication. Good arrangement demands your attention to place, purpose, plan, participants, program--and, don't forget, publicity.

A PR Program For You

The time has come to pull together our thoughts on PR and to summarize them into a PR program for you. Here are the six steps you should take.

Step #1. You must assume full responsibility for your shop's future relations with its "publics." After all, you head your shop and its operations. Furthermore, PR is an important matter--important enough to be

handled at the policy-making level. Remember, without good PR, you and your workshop cannot achieve the success you want.

Although you have no Public Relations Director, there are persons to whom you can turn for ideas and suggestions. Set up a group to consult with and from which to ask volunteer aid. This group should be composed of professional PR counselors who do PR work for local clients, and of Public Relations Directors in local commercial firms. In addition, enlist the cooperation of executives in your newspapers, your radio stations, and your television stations. And, check to see what your national association can do for you on this matter.

Step #2. Determine where you stand--right now--with each of your "publics." Identify your present position and situation. This inspection of current circumstances must be thorough and objective. Is there anything unsound or wrong in your functioning? Do you have serious PR problems at the moment? Or, for that matter, do you have PR problems? What are your sins of omission? Of commission?

Your purpose here is to learn exactly what each of your "publics" thinks of you. In this step, you must fight against bias--against preconceived ideas--against rationalizing. Brace for the possibility of discovering unpleasant truths, of discovering conditions you never suspected. Be willing to admit any real weakness and to face frankly any real PR problems. Above all, take pains to learn, in detail, the why of any negative circumstance.

Step #3. This is the correcting step. Here you clean up, get right, and make any change necessary. You stop what should be stopped--you start what should be started.

Step #4. The point has arrived at which you set up PR goals and begin to draft a plan which, you believe, will win those goals for you. Examples of goals are: goodwill; financial support; volunteer labor; sponsorship of sales events.

Sad to admit, becoming sound (which you did in Step #3) is not enough. You must tell your "publics" about your soundness. And this telling demands a PR program, one set up for each coming year just as you set up production programs, marketing programs, and the like.

Many voices are speaking to your "publics." Many bidders are competing against you for the favor of your "publics." If you are to achieve in the PR area, you simply cannot afford to be casual or erratic, impulsive or hit-or-miss. You dare not overlook any worthwhile "public" or any worthwhile PR activity. Your effort toward better PR must be a carefully designed effort--a thorough and complete program.

Step #5. This step, the execution of the program, consists of communication. You inform and educate, explain and describe, report and present, ask and point with pride. It is helpful at this time to recognize how great is everybody's ignorance, how shocking is everybody's indifference to you and to your workshop. Few individuals know much about your shop, and very few know what they should know.

What's called for is effective communication. To start with, your message should be basically true, honest, and accurate. In addition, you want to make it clear, simple, and believable. Incidentally, you may be smart to test it on a few persons before sending it to the entire "public"; defects in messages can sometimes be detected in this manner. What the receiver takes in and how much he takes in are as important as what you communicate.

If your program is sound, it will schedule your communications through the best channels and approaches, and with the most effective frequency and continuity.

Step #6. After each year's PR program, there should be an evaluation of its success. Complementing this once-a-year appraisal, you should stay alert day by day to the appearance of any new PR problem. Good programs, year after year, reduce the number of such problems.

Evaluation is seldom easy. Your "publics" are numerous and, in certain regards, quite different from each other. There is no one, accurate yardstick with which to measure PR progress, progress which, indeed, can be so slight as to defy precise measurement. Progress is cumulative, over a long period of time. Only when you have an acute problem which must be resolved in a very short time can you have much confidence in your evaluation. In these rather unusual cases, you win--or you lose--and that's all there is to it.

But, evaluation must be attempted. How? By using the same techniques you used to find out where you were back in the section entitled "What Are Your Public Relations--Right Now?" Use such techniques as conversation, questioning, observation, examination of correspondence, comparison of speaking invitations this year with last year, comparison of volunteer help this year with last year, count of favorable publicity items this year versus last year, study of salesmen's records, and the like. You yourself must do this--you must not delegate it. Evaluation always leads to the conclusion that PR is certainly worth the time, thought, and effort you give it.

PUBLICITY

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PUBLICITY

The word publicity has several meanings. So, our first job is to define the word as it is used in this handbook. The publicity we describe and discuss appears in four media--newspapers, radio, television, and magazines. You note immediately that these are commercial media, not owned or controlled by a sheltered workshop. You also note immediately that every one of these media consists of two types of material--(1) editorial material and (2) advertising. Editorial material in newspapers consists largely of news stories, features, comics, editorials, letters to the editor, and photographs. In radio and television, the shows and programs broadcast constitute the editorial portion. Editorial material in magazines includes articles, stories, and photographs.

Now for our definition: Publicity is the mention of your shop, its personnel, its activities, or its products and services in the editorial portions of newspapers, radio, television, and magazines.

Publicity is communication, a matter discussed at some length in the section on Public Relations. Indeed, publicity is one of the major tools of public relations. Publicity is information directed to some group or audience--to one of the "publics" of Public Relations--you want to reach and influence.

Publicity can take the form of news (the most common type), reports, announcements, descriptions, accounts, stories, features, opinions expressed in letters to editors, or photographs. You can get a certain amount of publicity by merely reporting news about your shop. You will get more publicity by planning and creating news about your shop--and then reporting it in such form that media accept it and use it.

There are several important differences between publicity and advertising. Publicity is not commercial communication, advertising is. Media do not bill you for the publicity they give you; they do charge for advertising. The medium controls the wording and the timing of your publicity, but you dictate what your ad will say and when it will appear. Publicity is less obvious and less promotional than advertising because it is not signed. Finally, publicity is not a substitute for advertising because publicity cannot be regular, daily, continuous, or commercial.

You Need Good Publicity

Workshops need understanding and goodwill. Workshops must have understanding and goodwill in order to be of maximum service and in order to make the maximum contribution possible. If you are to get the support and the cooperation you need, you must inform and influence the individuals and groups who can support and cooperate.

Effective publicity is both informative and persuasive. It enjoys prestige and acceptance because it comes from the editors' offices rather than from the advertising managers' offices. Sometimes advertising causes doubts, questions, and defenses to arise in your mind; seldom do you react to editorial material in this manner. Publicity can help your shop look good by helping to create for it the type of "image" you want. A long-range publicity program, one in good taste, can do much for you and your shop. And, remember, publicity is "free."

Audiences For Your Publicity

At the start of this unit on publicity, media were restricted to newspapers, radio, television, and magazines. In these, it is possible

(but difficult) to communicate to selected subdivisions or groups of the general public. It is possible to reach just housewives, businessmen, sports enthusiasts, and such groups with some success. There's no denying, either, that you have a real interest in informing and influencing the "publics" discussed in the section on Public Relations.

What must be recognized, however, is that newspapers, radio, television, and magazines are mass media of communication. They typically reach "everybody." In view of this feature, you are strongly urged to think of the audience for your publicity as consisting of the general public.

Media For Your Publicity

A word or two may be in order about the vehicles which transmit your publicity. We start with newspapers because they are the medium you use most and the medium which can do the most for you. Because newspapers are "print on paper," they are physical and last, at least for a short while. They are not intangible and evaporative as, for example, are radio broadcasts. Newspapers reporting and newspaper editorial content are almost completely objective, encouraging and achieving reader confidence. Newspapers cover their respective markets and enjoy great public interest in those markets; they are looked on as a prime source of information about current events and developments. Newspapers must have stories of broad local interest. You and your shop can supply some stories of this sort.

Radio and television operate as local stations and as networks. Local broadcasts and local broadcasting are quite appropriate for workshop

publicity--network operation is not. Do not neglect the educational stations if there are any in your locality. News and announcements are naturals from your point of view although feature shows (interviews, for example) can sometimes be arranged. Stations must devote a certain amount of their broadcast time to "public service"; you are in an excellent position to request and get some of this time. You have every reason to try to get publicity on sustaining shows--even on sponsored shows.

Most magazines circulate over too large a geographical area to be as suitable carriers of your publicity as are newspapers, radio, and television. In some states there are magazines which are edited primarily for residents of those respective states; these magazines can use your publicity stories. Some newspapers in large cities edit and publish their own Sunday magazine sections; don't overlook these. Trade magazines edited for and subscribed to by retail groups handling your products (grocery stores, hardware stores, gift shops, department stores) are always in need of feature stories.

Your big three remain newspapers, radio, and television. Your experience will be typical if you find newspaper space is easier to get than is broadcast time.

Relations With Publicity Media

If your shop is to get as much favorable publicity as you would like it to get, your relations with key men in media need to be most satisfactory. Important here are (1) person-to-person matters, and (2) the publicity items you ask media to accept and use.

Good person-to-person relations start with your identifying the

individuals who will decide whether or not your publicity will be used. The key persons are the editors--the city editor of a newspaper and the news editor of a broadcasting station. It is smart to make the acquaintance of these men (and even of their staffs) and to make a bid for their confidence. Visits with them at their offices or elsewhere and tours of your shop by them can be quite rewarding. These editors "rate" you. They expect you to be honest, frank, sincere, trustworthy, and fair. They want you to cooperate and to be helpful. They downgrade persons who try to suppress bad news and those who ask media to do so. They have contempt for persons who beg or complain, who threaten or try to apply pressure. They are infuriated by persons who waste editors' time.

The publicity items you submit or suggest affect your relations with media. To start with, the item, release, or story should be based on someone or something the editor believes to be of interest to his readers, hearers, or viewers. It must have publication value or broadcast value; usually, this means news value. The item should be accurate and complete. Releases should be well written, easy to read or easy to hear, and in whatever form (size of paper, spacing, heading, etc.) each editor prefers. Broadcast publicity particularly benefits from being brief, informal, conversational.

Steps Toward Publicity

Each publicity story or release should start with your being clear and specific in your mind about (1) whom you hope most to inform and influence, (2) which medium (or media) you hope will carry the story, (3) how the story or release should be built, and (4) what response or

reaction you want from your audience. Many publicity stories, for example, try to get favorable attention, or to promote the interests of your shop, or to educate and make friends of some unfriendly group.

Next, of course, there must be something to write about--a person, an event, a development, a period of time. This is the subject of the publicity release. Following this is the most important job of actually writing up the item. If you are hoping for newspaper or magazine publicity, see if there are accompanying photographs which will increase your chance of success.

There remains the physical submission of the publicity release to the newspaper or the station.

News stories must be real news, and feature stories must be of real interest. Both must be properly presented.

Responsibility for a sheltered workshop's publicity rests squarely and undeniably on the shoulders of the top executive of the shop. This individual will want to sharpen his skill in identifying genuine bases for publicity releases and to increase his ability to plan, to create such bases. The shop staff can help and should be encouraged to help. Careful examination of media will help determine what each accepts and uses. Incidentally, in respect to news, the first question many editors ask is, "How many persons will this story interest?" Unless the answer is a sufficiently large number, they turn thumbs down on it. Conferences with local media men can be helpful and instructive.

News Items - Feature Stories - Photographs

News has not changed since Kipling described it as involved with Who, What, Where, When, How, and Why. The three most important requirements of

news are (1) that it be timely or current, (2) that it be of interest to many individuals, and (3) that it be accurate or true. If, in addition to these three, it is dramatic or emotional, that's all the better.

Feature stories need not be current news. Running from 500 to 1,000 words in length, they can present more color, more depth, and more detail than does the news story. A natural for an anniversary feature story is the history of the workshop--its founding, growth, personnel, accomplishments, etc. Another is the story about a person or persons--particular employees, board members, leading local sponsors, executives, etc. A third common type is the human interest feature, based, perhaps, on success despite handicaps, or victory despite difficulties.

Photographs appear with something like one-third of all publicity items accepted by media. A study of your local media plus conferences with editors can guide you to greater success with the photographs you submit. Qualities of good photographs include action, color, beauty, realism, and human interest. Another sound approach to usable photographs is to try to include in each the (1) known, familiar, recognized, everyday, and the (2) odd, unnatural, surprising, strange. This contrasting of the usual with the unusual can be quite effective. Photographs of individuals, of events, of the "new" (quarters, products, equipment, etc.) are widely used.

Publicity Checklist

Here is a list of possible bases for publicity releases. It is by no means a complete list. Even so, how many of these--related to your workshop--have you got publicized by newspapers, radio, television, or magazines?

History of your workshop

Workshop personnel and personnel changes

Workshop facilities, activities, policies

Visits to workshop by prominent persons

Interviews with employees

Accomplishments of workshop staff

Achievements of workshop employees

New equipment, services, products, raw materials

Workshop plans

Dedications

Workshop contributions to your community

Anniversaries

Speeches made by workshop executives

Annual meetings of the board

Highlights of annual reports

Annual sales events

Open house for the community

Conferences and special meetings

Awards

Appointments and elections

Group tours of your workshop

RACK MERCHANDISING

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RACK MERCHANDISING

If you plan to sell your shop's products in such retail stores as supermarkets and drug stores, you may want to consider using a special type of distribution known as "rack merchandising." A rack merchandiser also goes by the names "rack jobber" and "service distributor." His name comes from his method of selling goods in retail stores from racks or counters which he supplies, or from store shelf space which he services.

When the question of using this method of distributing your products arises, two possibilities are open to you:

1. You may want to distribute your goods through an established rack merchandiser. There are 800 of these middlemen in the U. S.; you would sell to them as you would to any other wholesaler.

2. You may, on the other hand, decide to do the rack merchandising yourself. Several workshops have done this with considerable success.

The other alternative, of course, is not to use rack merchandising at all. To help you decide, this unit will begin with a look at what rack merchandisers do--the kinds of products they carry, the services they perform. Then you will want to know how retailer managers feel about them. Next will come some of the problems you face no matter which approach to rack merchandising you want to take. Finally, you need to take a look at both the requirements and the rewards if your shop decides to follow the second possibility of doing it yourself.

What Does A Rack Jobber Do?

Put most simply, the rack jobber maintains a rack or display in a store and services it on a regular basis. He does this by means of delivery-salesmen who make regular calls on stores and service the racks from a stock

of goods carried in their delivery vans or trucks. The rack merchandiser typically places his displays in self-service stores such as supermarkets, large drug outlets, and some variety (5 & 10¢) stores.

Products He Sells

The rack jobber usually deals in products which are of a "side-line" nature to the retailer's main business. For example, he may sell magazines or health aids (such as toothpaste) in a grocery store. Or he may service a phonograph record rack in a drug store. Here are some of the major product lines handled by rack merchandisers today.

1. Stationery goods--note paper, envelopes, pencils, ink, etc.
2. Toys--especially those packaged in plastic bags such as infant toys and other low-priced toy items. Stuffed animals and novelty toys are also stocked.
3. Housewares--pots, pans, other kitchen and handyman utensils, brooms, mops, dishcloths, doormats, ironing board covers, sponges and other cleaning implements.
4. Health and beauty aids--small drug items such as aspirin, cold remedies and the like. Also in this category are shampoo, toothpaste, deodorant items, etc.
5. Soft goods--socks, shirts, and underwear are examples of these.
6. Phonograph records.
7. Magazines and books--especially paperback books.

More than one rack jobber typically services a single retail outlet. Each specializes in one or two categories such as magazines, books, and phonograph records.

Services He Performs

It is not surprising that he is also known by the name "service distributor." When you consider the different services he performs, it is easy to see why so many retailers welcome rack jobbers into a sort of partnership in serving consumers--to their mutual profit, of course. Here are some of the marketing services the rack jobber performs for the retailer:

1. He assumes full responsibility for buying products from manufacturers, storing them in his own (or rented) warehouse space, and for delivering an assortment of products to the retailer.

2. He pre-prices the merchandise. One of the costs of managing a self-service store is that of having prices marked on all goods. The rack jobber marks prices on the products for the retailer.

3. Because his delivery salesmen visit the retail stores regularly, he assures the retailer of a constant supply of fresh merchandise.

4. He sells and delivers in less than case lot quantities for those items which are not fast movers or volume sellers. Once a case of regular merchandise is opened, self-service retailers usually put the entire quantity (dozen, gross, etc.) on the shelf. Slow movers would take up too much valuable space if they had to be displayed in case lots.

5. He provides regular restocking and shelf housekeeping. As he delivers new merchandise, the delivery salesman moves the items left on the shelf to the front and puts the new stock behind. Thus stale, or dusty, or shopworn appearances are avoided. He also tidies up the rack and leaves it neat and full of appealing merchandise.

6. He picks up slow-moving, shopworn, or otherwise unsalable merchandise for either credit or replacement. The retailer does not pay for unsold goods, which reduces not only his investment in inventory but also his risk of a poor selection.

7. Finally, the rack jobber works to develop more effective packaging and displays to boost the sales of the products he carries.

Akin to running a booth at a fair, then, the rack merchandiser sets up shop in a retail store and runs that little section of the store. He pays rent, of course, in the form of a percentage of sales shared with the retailer-landlord. The rack jobber of something like housewares usually sells to the retailer at about 33% off retail. He purchases the products from manufacturers at about 50% off the retail price. For instance:

> An item such as a hand can opener sells to housewives for $1. The retailer pays the rack jobber 67¢ for each one sold, thereby earning a gross margin of 33¢. The rack jobber, in turn, has paid the manufacturer of the can opener 50¢ for each one. His gross-profit-per-can-opener is thus 17¢.

Out of this gross profit, of course, must come the rack jobber's costs of trucks, salesmen, warehousing, and other expenses before his actual net profit is realized.

The Driver-Salesmen

The heart of the rack merchandiser's organization is his staff of driver-salesmen. While they must drive the truck, the emphasis is on the word salesmen. An even more appropriate lable would be driver-merchandisers. A typical service call on a retail store might consist of the following routine:

a. Straighten and arrange all merchandise left on the rack. Dust off packages and rack.

b. Count or inventory each different product remaining. Enter count on invoice line 2 (see below).

c. Return to truck to collect the assortment of merchandise needed to refill the display.

d. Substitute new product for one of the old ones which hasn't been selling briskly.

e. Complete invoice, get store manager or grocery department manager's signature on invoice, leave one copy with him.

f. Return to truck to begin the routine all over again at the next store.

The invoice has three basic entries for all products. They are: (1) beginning inventory--how many of each are displayed when the rack is full; (2) ending inventory--the count taken at the beginning of the service call; and (3) amounts sold--the difference between (1) and (2). He multiplies the amount sold by the appropriate prices, and totals the invoice. You have probably noticed this feature of rack jobbing which appeals to retailers: they are not billed until the goods have been sold.

How Retailers View Rack Jobbers

Since your interest in rack merchandising is in either using established jobbers or in doing the job yourself to move the products of your workshop, you will want to know how receptive retailers are to the idea. In essence, the situation is this:

retailers have problems...
...rack merchandisers help solve them.

Retailing Problems

If your workshop has its own retail outlet, or if you have had retailing experience, this review of three major retailing problems will be quick. It will help, however, to explain the wide acceptance rack jobbing has gained from store operators.

Volume. Recalling that most rack jobbing is done in self-service stores such as supermarkets and chain drug outlets, the volume problem is understandable. These stores typically feature low margins and count on a large volume of sales to maintain net dollar profit. Instead of making a 40¢ markup on an item and selling only two a week, this type of store may

take only 20¢ but sell five a week, so they realize $1 a week (5 x 20¢) instead of 80¢ (2 x 40¢). Such stores are constantly seeking merchandise which sells at a rapid pace.

Assortment. But today's housewife may expect to find a wide assortment of goods, often not closely related to the store's main business. Moreover, some of these items may not sell as rapidly as the regular stock. When you consider that an "average" supermarket sells over five thousand different items, the task of managing such an assortment, and keeping the volume up, is staggering.

Expenses. Despite the "self-service" label, this type of retailing requires a great deal of labor and expense. Cases of foodstuffs must be unpacked into carton or unit quantities, each item must be stamped with a price, prices may have to be changed occasionally, shelf displays have to be kept clean, neat, and full. All of these are expense items. Coupled with the low unit profits that must be charged if the store is to be competitive, these expenses place an even greater premium on volume.

Rack Merchandising Solutions

How does the rack jobber help the retailer with these problems? Let's take each one and see:

Volume. By bringing into the store a rack or display of merchandise that sells, and by keeping it full of fast-moving products, the store's sales volume gets a boost. These products, moreover, often carry a larger gross profit than the store's regular lines of products. Thus not only volume, but also profits are enhanced.

Assortment. The rack jobber enables the retailer to concentrate on buying and handling those lines which he knows best as he brings to his

customers a wide assortment of merchandise. The supermarket manager is free to concentrate on the groceries and meats, leaving the non-food assortments to specialists in records, housewares, toys, magazines, or whatever. Because all these items are for sale, the consumer can take advantage of the "one-stop" shopping this assortment offers.

Expenses. Finally, the rack jobber lets the retailer take home more of his gross profit as net profit. You will recall that this gross profit on the rack jobber's merchandise is often higher (on a per-unit basis). Through his services, the rack jobber lowers the retailer's expenses and thus raises his net profit on these items. For example:

> The average gross profit margin on food lines in a supermarket is 15-18% of retail selling prices; the net profit, after deducting store expenses, is around 3%. Now for the non-food items such as those supplied by the rack merchandiser, the store earns an average gross profit margin of 25-35%. Since the jobber does all the in-store handling, the costs of selling these items is lower, and the store's net profit may run as high as 15-20% on these lines.

Result: Wide Acceptance

Both large and small chains of retail stores rely on the services of the rack merchandiser. One recent study reported that 85% of the non-food items in small chains are supplied by rack jobbers. The study also noted that some chains started with rack jobbers, then tried to take over these items and handle them, but went back to their old rack jobbers as they realized the worth of the jobber.

How Rack Jobbers View Products

Your next area of interest in rack merchandising is what rack jobbers want from manufacturers. You need to consider this because (a) you may want to sell them products from your shop; or (b) you will want to know

their views if you yourself get into rack merchandising.

Because he sells in a self-service market, the rack jobber is constantly alert for new, salable products which fit in with the lines he carries. These products must be suitable for rack selling--durable, attractive, and of suitable size.

These products must also be packaged in a way that allows their display on the rack or shelf. The package must be sturdy, yet it must help sell the product to consumers. Jobbers like packages that show the product (through plastic or cellophane), and tell what it is (through labels, tags, or other printing).

Finally, the price must be right. This means your price must be competitive with similar products at the retail level, yet profitable for both the jobber and his retailers to carry.

Since you may be considering rack merchandising as a means of selling your shop's output, let's consider each of these three basic concerns in more detail.

Products

The independent rack jobber (and the workshop taking on this function) has a primary concern about products: they must be fast movers. In the average supermarket with 544 linear floor feet of display space, non-food items get 83 feet, of which housewares account for 20 feet. This means that every foot must pay its way...every item on the rack must be constantly checked to see how fast it is moving. If an item is slow, out it must go to make way for something that will move. In fact, a rack jobber would lose money if manufacturers gave him merchandise that didn't sell at an acceptable rate. Why? Because these items would be taking space away

from other goods which might sell. Space in the retail store is the scarcest thing the rack jobber has to work with.

The products must have impulse appeal. This means they must be the kinds of items that whet immediate shopper interest and stimulate an urge to buy. If shoppers have to stop and wonder "what is it?" or "what is it used for?" it is not likely to be successful as an impulse item. This, of course, relates to the demands on packages that packaging show and tell to help the product sell. The shopper passes the rack in a store with her mind on grocery lists, parking meters, and other distractions. A product with impulse appeal must capture her attention and sell itself in a few seconds.

The size of the product is still another factor jobbers consider. How much room does it take up on the rack? How much room to stock a week's supply? Another dimension of size is customer convenience. Large, bulky, clumsy items which will not fit into the shopping cart are discouraged. This can be offset, of course, by a high utility, such as a broom or mop, but the general notion of size convenience should be kept in mind. Still another requirement, one in the opposite direction, must be considered. The size of the product and its package should not be so small as to encourage pilferage. Often the smaller product may be packaged in a larger holder or on a card to prevent its being slipped into shoppers' pockets.

Packaging

The second requirement is of concern to you because you will want your products effectively packaged regardless of your decision about rack merchandising. We include it here because of the extra importance attached to good packaging in the self-service marketing by rack jobbers. The package is your silent salesman. Like any other salesman, it can be good

or bad, effective or ineffective, worthwhile or worthless. Before discussing some specific packaging requirements for rack merchandising, let's review some general observations about this important element in your marketing mix.

Packaging Basics

There are four basic considerations in good packaging. You might like to review your present packages and see how they conform to these basics. Your shop will have to be particularly alert to packaging matters if you decide to sell through self-service outlets. Here, then, are the "big four" of packaging:

Protection. This is the first, and in many ways most important, requirement of your package. It must protect your products. Breakage must be avoided; dust and grime must be kept out; the quality and care you put into your products must be kept secure so that customers can enjoy them.

Attraction. You want consumers to notice your product as it rests on the store shelf. It must attract attention if it is to sell. This means it must be legible and visible. The consumer has to see it and recognize it. Your choice of colors, design, and printing all affect the attraction power of your package.

Salesmanship. Though silent, your package must be a salesman, and a good one at that. It must generate new business through impulse buying; but, it must also encourage repeat business. To get new business, the package has to help tell your product's story in a few forceful words and pictures. (As the unit on Advertising reminds, that story consists of what the product will do for the user or buyer.) To encourage repeat business, the package must have protected the products, and must have been easy to open and use.

Economy. The good package protects, attracts, and sells at a modest cost. Since the cost of the package must be included in the price the consumer pays, you will want to use materials and design that give you the most protection, attraction, and salesmanship for your packaging dollar. New materials are constantly being developed for your consideration. Their use must be balanced against their cost. Included in these costs, of course, are both the packaging materials costs and the shipping and handling costs.

Packaging for Rack Merchandising

We turn, now, to some more specific observations about packaging products to be sold by rack jobbing. Some of these stress points discussed under "Product." All deserve your attention as a prospective rack jobber or supplier of rack jobbers.

1. Good visibility. This is important for any self-service sold product. Your package needs to be bright enough to attract attention, yet the colors must not appear harsh or glaring. Color should be appropriate, whenever possible, to the product's use.

2. Instant identification. There must be immediate, clear indication of what the product is, and what it will do. If your package is to stimulate impulse buying, it needs to communicate instantly to the buyer the features of the product inside.

3. Prominent price marking. Don't make the shopper search for the price. If you do, she'll go on to something else. Be sure to mark the price clearly in blue, purple, or black ink. (Any of these colors tells the checker to register a grocery department sale on the cash register. Avoid red, which indicates meat department, or green, which signifies a produce item.) If your shop is going to sell to a rack jobber, leave a space for the price (a white circle, for instance) on your package. He will affix the retail price himself, as margins and local competition dictate.

4. Durability. The rack jobber wants packages which can take rough treatment, for they'll get it. Consumers drop items from hooks or racks; they run shopping carts into racks.

Your product's protection, remember, is the first requirement of its package.

5. Concise copy. "Copy" is the term applied to the writing on your package. Use only as much as you really need. If directions for use are needed, make them easily understood. An illustration of the product in use and a view of the product itself will do much to sell it. Don't use type that is too small, for women who left their glasses at home won't be able to read your message. Use the back of the package if more detailed instructions are required. Do make sure your copy is clear.

6. Safe packaging. Rack jobbers stress the fact that packages should have no sharp edges to harm customers or clerks.

7. Hangable. Many racks consist of rows of hooks on which products are hung. If your package can be displayed on either shelf or hanger, this versatility will appeal to rack merchandisers. Many hang-up items are closed at the top with a cardboard or heavy paper strip called a "header." The "header" contains copy and space for price.

   Hang-up holes need to be at least 5/16" in diameter for ease in hanging and removing. Holes should also be at least 1/4" from the edge of the card to prevent tearouts. Finally, the hole should be positioned so that your product balances on the hook and doesn't tilt sloppily askew.

Price

The final basic concern in selling to rack merchandisers is the price. In the section of this handbook dealing with price policies, trade discounts are discussed at length. If you sell to rack jobbers, you will want to allow competitive discounts from the retail price your product will command. This retail price must also be competitive with products of similar quality. If the price is out of line, the item will be a slow seller, and slow sellers don't survive on racks.

Rack jobbers generally receive 50% off the retail price for their purchases of housewares from manufacturers; 45% for soft goods, and 55% for stationery items are typical discount rates.

The retail prices of items sold on racks in stores is generally under $5, with a great proportion of products falling in the $1-$3 price range. This is to be expected for impulse products, since most consumers can afford to spend moderate amounts of money impulsively. Higher priced merchandise might involve more thinking and time to consider than the housewife has available. Prices, moreover, are typically quoted in odd cents such as $1.29, $1.49, $1.99. (See the discussion of "odd or psychological prices" in the section on Pricing.)

Selling To Rack Jobbers

Up to now we have been discussing some basic aspects of rack merchandising which you would need to consider whether you use an established rack jobber or do your own rack merchandising. If you decide to sell through established jobbers, you must sell your products to a jobber. As we noted, there are 800 of these, and a directory of them may be obtained by writing to the American Rack Merchandisers' Institute, Merchandise Mart, Chicago 54, Illinois. In addition, this Institute will work with you in developing new products and proper packaging.

You will also want to consider the opportunity of talking with rack jobbers as they assemble for conventions. There are two national conventions, in January and in June, where you can present your shop's products to prospective jobber customers. Like any other wholesalers, these businessmen will be interested in the sales appeal of your products and the profit possibilities your price structure allows.

Rack Merchandising Management

In addition to the basic problems of product, packaging, and price discussed previously in this section, when a workshop decides to engage in rack merchandising on its own, other problems must be considered. It is beyond the scope of this handbook to spell out in detail the whole of rack merchandising management. You will need much more detailed information before attempting this type of distribution. But you can begin to get a feel for the major areas of rack jobbing, and some of the requirements of each.

There are seven key areas in rack merchandising management which require your attention. Three of these--products, racks, and outlets--are matters of what and where you sell. Two--financing and inventory control--are matters of controlling your rack merchandising operation. The final pair--trucks and driver-salesmen--are concerned with how you sell.

Products-Packages-Prices

You know, from the preceding discussion, the importance of products, packages, and prices to successful selling in self-service stores. But that discussion involved individual products, and was designed to help you plan your shop's production with an eye to selling to rack jobbers. If you choose to do the rack merchandising yourself, you will want to consider another product problem: an assortment of products.

The rack or shelf in the retail outlet does not usually contain just one item. It displays and sells an assortment of related merchandise. For example:

> You would not find it economical to service racks which displayed nothing but brooms (if, indeed, you could get permission to put them in stores). Why? The volume of broom

sales alone would not cover the costs of driver-salesmen, trucks, etc. What you would like, then, is an assortment such as: brooms, mops, dishcloths, potholders, dish towels, sponges, and similar cleaning products. While a single item's sales might not justify rack jobbing, the total assortment could be serviced quite profitably.

Now this poses a problem for you if your shop produces only a limited line of products. One solution would be to make a wide assortment in your shop. But the skills of your workers, and the equipment in your shop, may dictate that you specialize. A more feasible solution is for you to carry items made by your workshop and items made by other manufacturers.

If you decide to get into rack merchandising, you are really electing to take over the wholesaling of your products. Why not act like a wholesaler? You can do this by purchasing products from other manufacturers, or from other sheltered workshops, in wholesale quantities just as any independent rack jobber would do. This proposal has several attractions:

1. It gives you the assortment of products needed for successful rack jobbing.

2. It enables your shop to concentrate on producing those items it is best equipped to make from the standpoint of both production efficiency and rehabilitation goals.

3. Because these other items demand only a little additional time of your driver-salesmen, they help support the cost of the selling activity for shop-made merchandise.

4. You can drop and add these "other" products to provide new attractions on your racks, rotating them around the shop-made regular items.

There are some drawbacks: (a) you cannot ethically advertise "handicap-made" on your racks if any items aren't made in workshops; (b) you will need to allow management time to screen and purchase the additional merchandise; and (c) your shop will require adequate financing and warehouse space to take on the wholesaling job for products made by other manufacturers. In spite

of these limitations, the plan seems to offer much promise to those of you interested in rack jobbing.

Racks

Next, you need a display fixture to place in retail stores. We call these fixtures "racks" even though the design of them varies. A rack may consist only of shelves to hold merchandise, similar to the store's regular shelf fixtures. It may be a stand which has a number of hooks protruding on which hang-up products are stocked. Or again, it may be a combination of several elements--shelves, broom racks, hooks, and space for poster advertising.

Racks should be capable of displaying a variety of products of varying size, shape, weight, and packaging. The exception to this rule, of course, is the specialized display rack for books and phonograph records. There should be a space for a small reserve supply of the smaller merchandise items. You will need to study other racks carefully before designing the one best suited to the products you plan to carry. You will have to have them made for you, and you will supply them to the store. They remain your property, however, which means you will be responsible for keeping them repaired and repainted. Some large volume supermarkets may require two or more racks.

One workshop has designed a standard size rack to fit in with supermarket shelf sizes. It is 45½ inches wide, 24 inches deep, and about 5 feet high. By keeping the depth the same as regular store fixtures, this rack fits in well in any part of the store. It costs $44 to produce. If more space is needed, this shop puts two, three, or four of these standard units into the stores it serves.

One final comment on racks: avoid wheels on the base of your racks. If racks are too mobile, store managers may be tempted to roll them out in front of the store to attract attention. While your merchandise may attract attention there, it may also be exposed to rain, dirt, and pilferage. And you, as the rack jobber, are responsible for taking back unsalable merchandise.

Outlets

Store space is essential. No matter how fine your product assortment, nor how well designed your rack, you have to have space in a retail store. To get this space, you have to sell the store manager on the features you offer. The big three features, remember, are:

a. product assortment, to please his customers.

b. service, to reduce his expenses.

c. profits, which result from "a" and "b."

Rack jobbers and retailers agree that service is the key to successful jobbing. Once you have sold a manager on giving you space in his store, you keep him sold with dependable, regular service.

In selling to chain stores, you will have to make several "sales." First you must convince the home office (or regional buying headquarters) that you can supply your specialized products at profitable prices. Once the executive at this level agrees, all you get is permission to approach the individual store managers, where the product-service-profit story must be told again.

What about small stores? Can you place racks in them? The answer is "yes, if you want to." You will probably not want to service very small

outlets. The reason, of course, is that the racks in those stores just don't move enough merchandise to justify the cost of servicing them. (See, also, the section on Marketing Management: Small Order Problems.) You may decide to call on large and medium-sized stores. If so, you may find that you need to service the large outlets every week, but can see and service the medium-sized stores twice a month. One workshop manager who was supervising a rack merchandising program said that he did not find it profitable to service a store that sells less than $500 a year from its rack. As he put it:

> "It takes almost as much time to service stock that grosses $5 a month as it does to service stock that grosses $50 a month."

Financing

Another problem area which has been hinted at is that of adequate financing. Rack merchandising will involve funds for inventory, for racks, and for delivery equipment. The inventory includes both the merchandise stored in case lots in your warehouse, and that displayed in retail stores on racks. Remember: you don't collect from the retailer until the goods have been sold. Your investment in racks is another financial consideration which you do not now face using other channels. And if the products you have purchased from other manufacturers to round out your assortment don't sell, are removed from racks, and have to be disposed of at a loss, you bear the loss.

Inventory

Because your inventory is now spread out in a number of locations, you will require a more elaborate system of stock accounting. You need to

know, at all times, the inventory for each store you service. This means regular sales-service calls and detailed record-keeping on the part of the driver-salesman. Without detailed inventory records, you cannot collect from retailers, nor can you know which items are moving fast and deserve re-ordering from your suppliers. If the driver knows he left the rack with 10 each of 10 products last week, and that there are only 4 each of the 10 products this week, he then bills the store for 6 of each item in the line. If one of the items is not selling well, you need to spot this to decide whether (a) to remove it from the racks to make room for something that will sell, or (b) to lower the price in an attempt to speed up its sales.

Trucks

The salesmen must travel their route with enough stock on hand to service a day's calls. For most merchandise assortments, a station wagon is too small. The delivery-van type truck is most popular because it holds an adequate supply, arranged for quick access by the salesman. This saves time on each call. Your trucks will require operating expenses (gas, oil, etc.), maintenance, insurance, and depreciation charges. As each truck is added and new routes are started, you must be prepared for a "start-up" period during which the costs of the truck may exceed the revenues from the racks. This is usually brief, if your products are well chosen and store size is selective.

Salesmen

You have to recruit, select, hire, train, and supervise a force of competent driver-salesmen. (See the unit on Sales Management for details on each of these steps.) He is the service man; on him rests much of the

chances for successful rack jobbing. Earlier in this section, we reviewed a typical sales call (under "What Do Rack Jobbers Do?"). Your salesman needs to be able to keep accurate records, maintain effective displays, handle dealer complaints, and maintain the crucial regular service.

He will have to fight for space on his own racks! In many chain stores, the management will insist on the right to place "a few" of their own items on your racks. Your salesman has to watch constantly lest store merchandise push workshop merchandise off its own rack. In most cases, because you do have fast-moving merchandise that is profitable for the store, you will be able to keep the major share of the rack. But there must be continuous vigilance on the part of your salesmen.

Your driver-salesmen can be paid either on a straight commission or a salary plus a commission. The commission provides incentive to give regular service and maintain effective displays. If you supply the truck and its operating expenses, you can probably count on paying the driver-salesman about 6% of sales.

Summary

This brief summary of rack merchandising management has attempted to make you aware of some of the major management areas involved. It has not been designed to scare you away from rack jobbing your shop's products. But your decision requires careful forethought and awareness. With the continuing rise of self-service retailing in the United States, the place of rack merchandising in distribution channels is of increasing attractiveness.

It is no accident that our major areas of concern also spell out very clearly your major reason for considering rack merchandising:

P roducts, packages, prices
R acks
O utlets
F inancing
I nventory control
T rucks
S alesmen

SALES MANAGEMENT

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SALES MANAGEMENT

Organizing For Sales

Organization Principles

There may be a few occasions when the user of this handbook will be "starting from scratch" in setting up a sales organization. More often, the sheltered workshop will be a going operation, and an understanding of organization principles will become important only if the top management is trying to discover whether or not the management mechanism is responsible for a failure to achieve satisfactory results. Such an investigation should check the basis for grouping or dividing executive functions, the degree to which delegated responsibility is backed up with adequate authority, the number of subordinates each executive or supervisor is expected to control, and whether the management people work as a team or are ignoring total organization objectives while they attempt to build individual operational empires.

The growth of any organization should be planned to follow a pattern based upon the progressive subdivision of basic business functions. All business organizations start with the fundamental management areas--production, sales, and finance. Each of these, in a very small enterprise, can be handled by one properly qualified person but, as the business expands, each broad function will need to be subdivided again and again. The sales function, for example, may be broken down into selling, advertising, and sales promotion. Selling, in turn, may be subdivided into consumer, retail, and wholesale sales. Consumer sales, in larger sheltered workshops, will frequently be split up into such specialized

segments as door-to-door sales, telephone solicitation, mail order sales, and own retail store sales.

The main problems in organization planning are to identify and group separate functions according to their similarity or allied character, to determine the qualifications required for their satisfactory accomplishment, and to select appropriate individuals for each responsibility assignment.

In the smaller workshops, each executive may be given a variety of functions--even some that are dissimilar and not complementary--in order to save on personnel costs, and performance effectiveness may not significantly suffer. However, if a proper organization plan exists, the current arrangement will be recognized as a temporary and necessary departure from sound practice to be corrected according to plan as soon as growth requires and financial position permits proper functional specialization. In the absence of a plan or of an understanding of organization principles, the delegation of unrelated job responsibilities to employees purely on the basis of administrative expediency or employee willingness or ambition leads to eventual confusion and uneven performance as the organization ages and grows and as new people are added or old ones have to be replaced.

When responsibility is delegated to an individual, the action should be made known throughout the organization and sufficient authority must accompany the assignment to permit effective performance. Few mistakes in management lead to more frustration and friction in day-to-day operation than the too common practice of holding people accountable for

certain responsibilities while withholding the authority necessary to get the job properly done.

The average executive finds it beyond his capacity to control and coordinate properly the work of more than a half-dozen subordinates and, at the operating level, the unit of supervision ought not be more than thirty workers. The exact limits will vary, of course, with the capacity of the boss, the nature of his responsibilities, and the qualifications of the subordinates.

The frequent attempt by management people, at all levels, to hold on to existing responsibilities or to acquire new and additional ones may be due to a mixture of pride and economic motivations. Neither is defensible in view of the almost certain eventual emergence of decision bottlenecks and performance errors due to overloaded personnel.

The prime responsibility of the executive is to achieve harmonious and cooperative effort by his subordinates toward the organization's objectives. This task of coordination requires clearly established lines of authority and responsibility but, much more than that, the executive must be constantly alert for evidence of the development of friction points between segments of the organization or the emergence of duplicated effort or neglected tasks.

Disagreements and misunderstandings within the organization are most likely to come about when individuals or departments are placed on the same level of authority and responsibility without provision for the coordination of their activities. In the sales department, for example, there may not only be friction between it and the production and finance

people but, within its own area, advertising and selling personnel may operate at cross-purposes.

While it is perhaps impossible to secure perfect coordination of functional performance as long as people are involved, a great improvement will accompany the establishment and cultivation of good lines of communication, the regular and frequent exchange of views on plans and problems in staff or executive committee meetings, and by the exercise of strong leadership especially in the prompt settlement of jurisdictional disputes.

Organization Tools

There are a number of tools which the sheltered workshop management will find useful in clarifying the delegation of authority and responsibility and in facilitating the adjustment of personnel to the organization structure and operating procedures. These include an organization chart, a job description, and a routine or flow chart.

An organization chart may be described as a kind of "wiring diagram" of the organization structure. It portrays, by graphical representation, the various organization functions grouped by areas of complementary relationships and connected by lines indicating the flow of authority and responsibility. Figure 1 is a simplified organization chart for a small sheltered workshop.

A job description is a written statement detailing the authority, duties, and accountability of a specific position or job in the organization. Its relationships to other jobs may be indicated, and there should be a description of the qualifications desirable for effective performance.

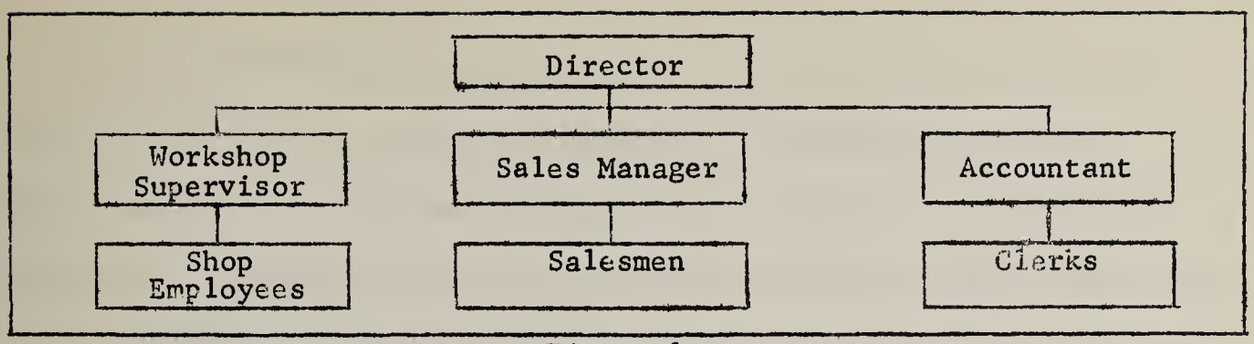

Figure 1
Simplified Organization Chart

This tool is extremely helpful to both management and employees in that its preparation requires careful review and analysis of the tasks to be handled, it facilitates planning for the addition, combination, or further separation of jobs, and it greatly improves the new employee's understanding of his duties. Figure 2 is an example of a job description for a sheltered workshop wholesale salesman.

Job: Wholesale Salesman

Under the direction and supervision of the Wholesale Sales Manager, the wholesale salesman is responsible for the sale at wholesale of the industrial line of products in Nassau, Suffolk, Westchester, and Rockland counties, New York.

Duties:

1. Preparing prospect lists of retail stores, wholesale houses, industrial consumers, and institutional users in the assigned territory.
2. Planning and reporting in advance, to the Wholesale Sales Manager, the projected weekly route and call schedule.
3. Contacting prospects to sell industrial products of the workshop within the price structure established by the Wholesale Sales Manager.
4. Maintaining customer goodwill by assistance on their usage, resale, or service problems.
5. Making daily reports on completed sales and calls and weekly reports of incurred reimbursable expense to the Wholesale Sales Manager.

Qualifications:

Age--30-45; experience--minimum of one year in wholesale or industrial lines.

Figure 2
Job Description for Sheltered Workshop Wholesale Salesman

A routine or flow chart portrays in graphic form or indicates in writing the steps or stages in a procedure, their proper sequence, and the person or position responsible for each. This tool is obviously essential in operational planning and control but has great value, also, in job training, in summarizing the principal facts and functional relationships in a procedure, and in illustrating their relationships to the organization structure. Figure 3 is a simplified written routine chart for the procedure in handling a salesman's expense account.

Salesmen's Expense Report Procedure

1. Expense report received by mail in envelope marked E. R.
2. Envelope date stamped by Receptionist and delivered to Sales Manager unopened.
3. Expense report checked by Sales Manager for validity of expense claims.
4. If approved, report is delivered to accounting department. If not approved, report is returned to salesman for revision.
5. Expense account audited for accuracy by the accounting department.
6. If approved by accountant, check for appropriate amount is drawn and signed by the accountant and delivered to the Sales Manager. If account is in error, report is returned to Sales Manager.
7. Check is delivered to salesman by Sales Manager.

Figure 3
Routine Chart for Salesmen's Expense Report Procedure

Structure of Organization

The organization structure is the framework of relationships between the functions to be performed and the individuals or groups charged with

their performance. Small sheltered workshops will probably be using, consciously or unconsciously, the line type of structure. In it, the flow of authority is direct from the top executive to the lowest rank employee. This arrangement is simple, economical, and likely to be satisfactory as long as the scale of operation is small enough to permit all who possess authority and decision-making power to exercise direction and control without much advisory or consultative assistance.

When the expansion or growing complexity of responsibility so loads the executive that he must depend upon specialized assistance in making sound management decisions, the addition of specialists for this purpose converts the organization to a line and staff structure. The important distinction and major reason for discussion here lies in the fact that staff personnel should have no general line authority. That is, they should act only in the name of the line executive to whom they report and not be permitted to command action of others except assistants, if any, within their own advisory units. Violation of this rule leads inevitably to confusion and buck-passing because of the uncertainty about who bosses whom.

Figure 4 illustrates the difference between line and line and staff structures. In organization charts, solid lines indicate the flow of authority while dotted lines are used to indicate staff relationships.

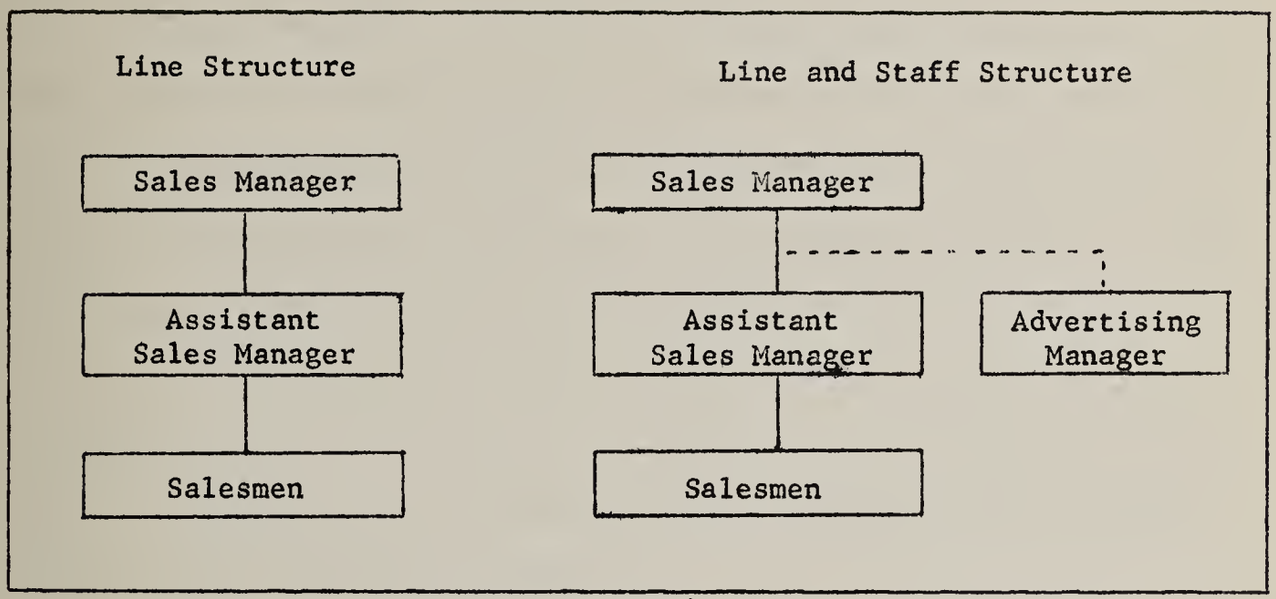

Figure 4
Line and Line and Staff Organization Structures Contrasted

Selecting A Distribution Channel

The choice of means for reaching the market is really a two-way problem. The type of channel to be used is the first and probably the most difficult decision. The second problem is the selecting of the particular person or firm within the type determined to be most appropriate. The latter choice is conditioned by the ordinary good business practice used in picking business associates, but the former is subject to rather special circumstances with which sheltered workshop management may not be so familiar. The selection of the best distribution channel involves a matching of the factors peculiar to the nature of the workshop organization, its products, and its market with the facilities and attributes characteristic of available channels.

Basically, the sheltered workshop may choose to sell direct to consumers or it may sell indirectly through wholesale or retail middlemen. As a matter of fact, it may find it desirable to use both for different purposes. Table 1 lists those channels which are considered to be appropriate for sheltered workshop consideration.

The channel roster in Table 1 is not all-inclusive since it omits brokers, drop-shippers, discount houses, and other types not considered suitable for sheltered workshop products.

Each of the listed channels will be discussed in the following pages, but any treatment of today's distribution channels must be prefaced with a warning that methods of doing business rather than specific marketing institutions will be described. Existing classifications of channels according to rigid patterns of attributes are unrealistic. Individual firms, regardless of their title or named category, are likely to sell

TABLE 1

Distribution Channels Generally Appropriate
for Sheltered Workshop Consideration

Direct to Consumers

Own retail store(s) on or off the workshop premises.
Annual sales event off the premises and conducted by a local social or civic organization at a place made available for the occasion.
Door-to-door calls upon household consumers by workshop salesmen.
Annual door-to-door sale conducted by local social or civic organization.
Telephone solicitation of household consumers by workshop salesmen (often homebound handicapped persons).
Calls upon industrial or institutional consumers by workshop salesmen.
Direct mail solicitation.
Sale to governmental consumers.

Through Retailers

Chain supermarkets.
Department stores.
Specialty stores, hardware stores, or gift shops.
Mail order houses.

Through Wholesale Middlemen

Regular wholesalers and industrial distributors.
Rack jobbers.
Manufacturer's agents.

whatever products by whatever methods they find profitable. The marketing structure reveals less and less of a tendency for firms in it to conform to academic or formal type identification. For example, at the retail level the food chains have been historically characterized by direct buying from producers or processors, purchase and warehousing in large quantities, and their own physical distribution facilities. Their attributes are no longer completely valid since the addition of fancy grocery items and non-food lines has brought problems beyond the management's experience and has led to the use of food brokers and rack jobbers at least during the "learning" period.

The principal significance of those comments and of the following discussion of channel types lies in the need for sheltered workshop management to know more about the variety of channels available, to be up to date on their current characteristics and services, and to stop now and then for a reappraisal of their distribution policy.

Direct to Consumers

Own retail store. The operation of a retail store by the sheltered workshop is not likely to be a profitable venture, particularly if located in the workshop structure itself. The workshop location is much more usually in an industrial or warehouse district or on a site on the city's outskirts than in a shopping center. A store offering the typical products of sheltered workshops ought to be located where consumer traffic is heaviest and these sites are extremely expensive. The sheltered workshop line is rarely large or varied enough to generate the profitable volume of retail sales needed to support the high costs of an appropriate location.

In those cases where there is some shopping traffic past the workshop location, a retail sales room may be set up with a street entrance and the costs of its operation shared with a stockroom or display space function. It should be noted, too, that some workshop organizations selling handcrafted specialties made by handicapped or retired people in their own homes have been successfully sold in the workshop's own stores in retail districts. The secret of their success lies in the distinctive quality characteristics of the products and their high margin.

Annual club-sponsored one-day sale. This is not an ordinary commercial channel but in those communities where the sheltered workshop has an unusually effective public relations program and can find a local social, civic, or religious organization willing to act as sponsor, an annual one-day sale can dispose of a substantial dollar volume of goods. Country clubs, churches, large private residences, or other places with adequate space for display and a flow of buyers can be used profitably provided facilities and sales people are provided at no cost and the merchandise has novelty or quality appeals strong enough to attract the potential customers.

State and county fairs and local expositions offer a somewhat similar opportunity. Exhibits of workshop products may be set up with some representative production operations being carried on and sales made over the counter or orders taken for later delivery.

Door-to-door calls by workshop salesmen. Door-to-door selling is a high cost channel due to the expense required to develop, equip, and maintain a sales and delivery organization. Even if salesman compensation is on a straight commission basis, expense is high for supervisory and office

personnel and for equipment incident to direct selling of this kind. The relatively low unit sales and modest margin on typical sheltered workshop products make high volume necessary to return a profit. This can usually be achieved only through repetitive sales in a concentrated consumer market.

This channel does permit the maximization of "pressure" selling and the most effective use of public interest in and sympathy with sheltered workshop objectives and operations. However, success attained in door-to-door selling by bona fide sheltered workshops leads to serious problems with fraudulent or misleading competitors who falsely represent themselves to the housewife. In self defense, the genuine sheltered workshop must take extraordinary care to fully identify its salesmen and, as a matter of policy, to make good on consumer claims regardless of the invalidity of the bogus salesmen's pretensions of sheltered workshop representation.

A variation of the door-to-door channel is found in the not uncommon sponsorship of an annual canvass for sheltered workshop product sale by local civic organizations. This has been found to be very successful when the sponsoring organization is well and favorably known, the sales event is an annual well-planned affair, and when adequate advance publicity has stimulated the householder's interest and buying intentions. The higher-than-usual unit of sale and the low expense thanks to a volunteer sales-force of high enthusiasm and persuasiveness combine to achieve an extra-ordinary sales volume of even the most prosaic household items.

Telephone solicitation. This direct selling method has the advantage of relatively low cost and is particularly useful to the sheltered workshop in providing gainful employment for home-bound handicapped people.

While not as effective a sales producer as door-to-door personal calls upon householders, it is possible to develop a regular clientele for workshop products. If the telephone solicitors are well coached and if imagination is used in developing a product list, it is possible to build a substantial volume in high margin specialty goods.

In this, as in door-to-door selling, considerable office and supervisory work is necessary in such matters as division of territories, planned call frequency, follow up of incomplete sales, delivery, and collections. It is probably unnecessary to point out that telephone selling is much less effective with industrial or institutional prospects than with housewives.

Personal selling to industrial and institutional consumers. Sheltered workshop management should have in mind that many of the products they make are used by industry and by such institutions as hospitals, rest homes, restaurants, hotels, schools, motels, and office buildings. These organizations, particularly those located in the same community as the workshop, may be easily reached by workshop salesmen. Even if the workshop does not have a sales force to make regular calls upon such prospects, the Director or Sales Manager may find it possible and profitable to solicit the major accounts of this type himself.

Industrial and institutional buying is ordinarily on a price-quality basis and offers an opportunity, therefore, precisely in the low-cost volume lines where economies of scale can be achieved on large orders. The professional buyers for these organizations buy to a price, as mentioned above, but they are also very much interested in quality and uniformity in product characteristics. Adequate quality that consistently meets

established standards is often more important than the highest possible quality.

The sale of workshop services in collating, component assembly, packaging, addressing, duplicating, and similar operations for industry offers a special opportunity with accompanying problems and is discussed separately in a section on Subcontracting.

Direct mail solicitation. This channel may be used to some advantage by those sheltered workshops which have items of unusual distinction and high margin. These will probably be art objects, one-of-a-kind handicraft products, or custom-made goods which lend themselves to printed description or illustration. For most workshops, however, the line is not long enough to permit large orders, the products are usually readily and inexpensively available in the prospect's own community, or the profit margin is too small to pay for the preparation or purchase of productive prospect lists and promotional materials. The extra storekeeping and order-filling functions and clerical help needed for handling orders, correspondence, and accounting add to the expense.

Direct sale to governmental agencies. There are several ways in which sales of sheltered workshop products may be made to governmental agencies. In advertised-bid contracts, public announcements are made describing the materials wanted and suppliers are invited to submit bids. The announcements may appear in newspapers, trade magazines, be displayed in public buildings, or be mailed to known interested suppliers. Complete specifications are always available from the purchasing office and, if the workshop feels able to meet the standards and wishes to try for the contract, it should compute its costs and make a bid in the prescribed manner. The sealed

bids are opened at some predetermined date and time, the offers publicly read and posted for inspection, and the contract award made to the lowest responsible bidder.

In the negotiated type of contract, the workshop representative and the procurement official of the government agency meet and discuss the specifications, price, and other pertinent factors in an effort to work out a mutually satisfactory agreement. Negotiation is usually carried on simultaneously by the prospective purchaser with a number of possible suppliers with competition active until the contract is actually awarded.

Government purchasing may also involve emergency and small-order purchasing, but these are not believed to be significant to sheltered workshops because of the relatively small amounts bought and the limitations placed upon the size of expenditure.

Potential customers among governmental agencies include the federal General Services Administration (largely maintenance equipment and supplies); the armed services; state, county, township, and municipal organizations, and public institutions such as universities and colleges, hospitals, and administrative commissions who often have their own procurement officials.

Federal purchases of sheltered workshop products are strongly influenced by legislation. The Wagner-O'Day Act, for example, provides that all brooms, mops, and other similar commodities procured in accordance with applicable federal specifications by and for any federal department or agency shall be purchased from non-profit agencies for the blind. The Act also authorizes a "central non-profit agency to facilitate the distribution of orders among the agencies of the blind." The National Industries for the Blind acts as this facilitating organization.

The official "Schedule of Blind-Made Products" includes:

Brooms, brushes and mops
Bed springs, mattresses, pads, sheets, and pillow cases
Aprons, caps, headbands, diapers, and belts
Curtains and drapes
Bags, dust cloths, pre-formed packing, and wrappers
Handles, grommets, and floor mats

Other types of sheltered workshops do not participate in the contract allocations under the provisions of the Wagner-O'Day Act, but neither do other kinds of workshop products enjoy the same priorities. An opportunity exists, then, for any workshop to sell some items to the General Services Administration and other federal agencies.

The state, county, and municipal governments and publicly supported institutions are potential customers for typical sheltered workshop products particularly where state penal or rehabilitation institutions do not engage in manufacturing activities or produce less than is needed.

Many sheltered workshop sales managers do not solicit government orders as a matter of policy. This position is commonly based upon some unhappy experience or the reputation such business sometimes holds for heavy emphasis upon price or excessive rigidity of specification standards.

Indirect through Retailers

Chain supermarkets. These organizations are price buyers of high turnover merchandise and rarely stock items unless a strong repetitive demand for them is already well established. This policy limits their use by sheltered workshops except in the larger supermarkets which show increasing interest in rack display of nationally advertised staple non-food items. These racks, installed and serviced by manufacturers or rack jobbers, enable the store management to test the acceptance of merchandise not previously

stocked without taking inventory responsibility. A separate section discusses rack jobbing in detail.

Sheltered workshops are finding the construction, placing, and servicing of rack displays of household needs an attractive channel. However, because of the high premium upon space in the supermarket, the racks must be small and consequently they must be serviced frequently in order to maintain a complete and orderly assortment. If this is not well done, volume declines and the store will either ask that the rack be removed or will use part of it for the display of its own merchandise.

The workshop enjoying good results with its own display racks in retail stores should bear in mind that success may make this a self-liquidating channel. That is, if the supermarket learns by observation and from its percentage on rack volume that the line is a profitable one, it will be tempted to terminate the arrangement in due course and take over the regular stocking of that type of goods itself. Such a move will not necessarily close the opportunity to the sheltered workshop since it may continue to supply the stores on another basis. The workshop's chances of such continuance will be improved if the products are branded and well packaged.

Department stores. Because of their large size and wide market influence, a relatively small number of department store accounts can secure extensive market representation. Department stores typically buy in large quantities and support manufacturer's brands by aggressive promotion. Their trend toward more self-service and mass display and their expansion by means of branch stores in suburban shopping centers strengthen their attractiveness as an outlet for sheltered workshop products.

Specifically, department stores offer a good channel for such typical workshop items as house dresses, aprons, infants' apparel, brushes, mops, and housewares generally. Gift departments should be interested in high-margin novelty and handcrafted goods.

Specialty shops, hardware stores, and gift stores. The sheltered workshop making or distributing unique handicrafts or custom-made products of high quality will find the specialty shops, hardware stores, and gift shops in large metropolitan cities or at resort areas an appropriate channel. In addition to regular items, some of these stores sell merchandise of distinctive characteristics and offer a prestige outlet for one-of-a-kind apparel, needlework, jewelry, leather and metal items, and similar goods whether made in the workshop or by home-bound workers. Superior quality is of primary importance but continuity of supply and high retail margin potentials are also significant in selling through this channel.

Mail order houses. Mail order houses are large volume purchasers of high turnover merchandise. They usually prefer to stock unbranded goods or to sell under their own brands. Purchases are typically made at the lowest possible price consistent with adequate quality and their professional buyers do not hesitate to shift supply sources whenever better buying opportunities appear. Except for low price staple convenience goods that can be produced under competitive cost conditions, the mail order house is not likely to be interested in sheltered workshop products.

Indirect through Wholesale Middlemen or Industrial Distributors

If the sheltered workshop finds direct selling to consumers or through retailers too costly or unproductive of the desired volume, it may use wholesale middlemen who sell to retailers, other wholesale establishments,

or to industrial and institutional consumers.

Regular wholesalers. The regular or service wholesaler buys in quantity, maintains stocks, sells on its own account, delivers, and extends credit and other services to its customers. This full performance of marketing functions relieves the manufacturer of responsibility for them, and the cost savings may be substantial.

The wholesaler does not ordinarily stock goods for which a large volume is not already established and is allergic to the performance of sales promotion activities in the manufacturer's behalf. Because of the large number and variety of items carried, the wholesaler's salesmen are instructed to "push the complete line" and to avoid special selling effort on any single part of the line unless it is to the direct interest of the firm. This policy compels the sheltered workshop, using this channel, to undertake promotional activities itself, either through advertising aimed at consumers or retailers or both, or by means of special field representatives called missionary salesmen. These men supplement the sales activities of wholesaler salesmen by assisting retailers in their merchandising activities and in building a special interest in the lines they represent. They do not ordinarily take orders but, if received, the orders are turned over to the wholesaler.

In general, the industrial distributor performs the same functions for the producer of industrial goods that the regular wholesaler provides for manufacturers of consumer goods. Aside from the difference in the nature of the products and in the type of market cultivated, the only significant distinction between the two channels is in the more limited line and fewer items usually carried by the industrial distributor. This creates an opportunity,

at least for the distributor to become more familiar with the line and for his salesmen to give each item greater selling effort.

Rack jobbers. This rapidly growing channel has been given detailed treatment in a separate section.

Manufacturer's agent. This wholesale type, often called manufacturer's representative, usually handles non-competing items for different producers but in an allied or complementary line, operates under a tight contract with respect to prices, terms, and territory, sells through salesmen calling on all kinds of buyers except household consumers, and takes its compensation on a commission basis. Manufacturer's agents are particularly effective in providing economical market representation for producers whose volume or financial position does not warrant direct selling and whose products require more individual sales effort than will normally be available from regular wholesalers and industrial distributors.

Manufacturer's agents have not been much used by sheltered workshops perhaps because they have traditionally been most active in industrial goods and have not sought this representation. Furthermore, relatively few workshops have reached a scale of production that would interest this type of agent. Growth in workshop size, greater interest in industrial goods production, and any increase in product pooling for sale by independent workshops will create an environment in which the manufacturer's agent may be of greater significance as a channel alternative.

A further comment on "pooling" may be in order at this point. In at least one type of sheltered workshops, a national organization undertakes to represent affiliated shops for national distribution of their products. A step in this direction can be taken by sheltered workshops of other types

through the use of the manufacturer's agent. This channel would be most advantageous for smaller sheltered workshops producing identical staple items and preferably goods which could be identified and promoted under one brand name.

Selecting Salesmen

It is rather characteristic of manufacturing firms to spend a great deal more time and money perfecting their production facilities than in keeping their sales organization at top performance efficiency. Production standards, quality control, cost analysis, depreciation, and obsolescence are common terms in the language of the production man but are seldom considered applicable to the sales function. Distribution channels, however, may become just as out of date as machinery; the sales force depreciates if left alone and taken for granted. It is not uncommon for savings accomplished through careful supervision and control of manufacturing to be dissipated by waste or excessive expense in careless sales management. The selection of salesmen is a good case in point.

Granted that the sheltered workshop has an obligation to make the greatest possible use of handicapped persons in its total operation, there are places in performance, notably in selling, where the maximization of employment and rehabilitation of the handicapped may be best accomplished by adherence to generally accepted business standards rather than to a strict interpretation of special social objectives. In other words, the selection of salesmen by a sheltered workshop should not be automatically limited to handicapped applicants. For certain types of selling, door-to-door for example, the sales presentation may be substantially strengthened by the employment of the physically handicapped. For sales to business firms and professional buyers, however, better sales results are more likely if salesmen are hired on the basis of the usual selection criteria.

Selection Responsibility

The final responsibility for the selection of salesmen should rest with the Sales Manager, but his choice ought to be confined to a list of eligibles whose general qualifications for employment have been approved by the Personnel Manager or by whomever has the responsibility for organization-wide hiring. The Sales Manager has a natural inclination to prefer complete freedom in the selection process, but individuals joining the sheltered workshop should be organization people first and salesmen second. Initial screening by the overall personnel officer will promote workshop loyalty, improve compliance with sound employment practices, and relieve the Sales Manager of functions that are neither properly his nor usually within his capacity.

The exercise of final choice by the Sales Manager is particularly defensible in view of the fact that his relationship with the salesmen is significantly different from that between other functional area heads and their employees. The almost constant need for inspirational leadership, the frequent need for close liaison on the handling of unusually difficult sales problems, and the special personal relationship so vital to the effective control of field personnel require a high degree of compatability between the sales manager and his sales force.

Job Analysis

The first step in the process of hiring salesmen is a study of just what goes on in the selling job--requirements, routines, supervision, training, opportunities, compensation and similar matters. Sales organizations differ in these respects, and sales jobs in the same organization vary

enough to require a job analysis for each type of sales position. This policy is particularly important in sheltered workshops since their selling problems may differ substantially from those in completely commercial firms.

When the analysis is completed, the facts should be written up in a job description so that a permanent record is available for reference by both employer and employee. The job description is discussed, also, in the section on Organization Tools.

Recruitment

The Sales Manager of a sheltered workshop can no more sit back and wait for salesman applicants to come to him than can his counterpart in other types of organizations. While he has a special obligation to give priority to qualified persons already on the workshop roll and a preference to handicapped persons generally, the Sales Manager should not neglect other sources in his recruiting nor should he confine his recruiting activity to the period when an opening exists. Continuous recruiting has the great advantage of maintaining a list of potential sales representatives so that undue haste in so important a responsibility is less likely in filling unexpected vacancies.

Applicant Evaluation

The selection of salesmen should come only after there has been a thorough examination of each applicant as to his qualifications so that the best possible matching of person and position can be assured. The usual tools for this procedure are an application form, a physical examination, some testing in the areas of abilities, skills, interests, motivations, and interpersonal relations, and an interview.

The application form is a personal history record which, when completed by the applicant, provides both a guide to the areas for which additional information may be needed and secured during the interview and, at the same time, a basic data summary for the personnel files. Standard salesman application forms are widely available and, with slight modification, will meet the special needs of sheltered workshops. If the workshop prefers to prepare its own, the form should include questions on:

Name in full

Home address and length of residence there

Other addresses during the past five years

Date and place of birth, height, weight, and physical handicaps

Citizenship and social security number

Marital status and number and age of dependents

Educational background

Employment record for past ten years including name and address of firm, business type, position held, monthly earnings, name of immediate superior, and reason for leaving employment

Business, social, and athletic activities not related to employment

Military record

Personal financial information: home ownership; mortgage payments or rental; automobile ownership; life insurance; wife's income, if any; loans and debts past due; and income other than from present employment

List of personal and business references

Sales experience: type; employer; product; territory; and method of compensation

Reason for application

Person to be notified in case of emergency

Personal references are not likely to yield unfavorable information but do occasionally turn up comments that merit discussion during the interview. Business references should be checked for comparison with information supplied on the application form, and the candidate should be given an opportunity to explain any discrepancies or apparently unfavorable reports.

Physical Examination

Selling is hard physical work and the Sales Manager should not expect full performance from handicapped persons. However, the significance of physical condition will vary with the nature of the selling task and selections for specific jobs can take this into consideration. The important condition is that the task's physical requirements and the applicant's physical characteristics should be matched to the greatest advantage.

It is essential that the applicant have a complete physical examination, preferably under workshop auspices, and that the various selling jobs be classified as to the degree of permissible deviation from the usual physical standards.

Testing Applicants

Many sales managers question the value of psychological tests as a means for selecting salesmen. While nearly all will agree that the best salesmen must have an aptitude for selling, there is disagreement on the effectiveness of current measurement techniques. A consensus does exist that testing can be useful in selecting salesmen provided that the test shown is tailored to the job, carefully administered, and the results properly interpreted. Tests can be used successfully to eliminate the obviously

unqualified and provide guide lines for subsequent interviewing, but they cannot do the whole job. Testing is but one of several tools and its findings must be integrated with the results of other selection devices.

Since the value of testing depends so much upon the choice of test types, experienced administration, and scientific interpretation, professional testing organizations should be employed. If the workshop is too small to warrant the retention of professionals for this task, testing had better be left alone.

Personal Interviews

This is the universal and indispensable selection tool. Singly or in a series with different executives, interviewing is a process which starts with the facts revealed in the application form, physical examination, and testing, if any, and attempts to verify and interpret them for a determination of the applicant's fitness for the job.

The questions should be planned or, at least, the areas for questioning and discussion should be predetermined so that the interview, whether highly informal or completely routinized in a standard pattern of questions, will be controlled by the Sales Manager and the conversation be kept pertinent to the purpose.

Final Selection

The sheltered workshop Sales Manager will find a rating sheet a useful device for organizing and summarizing the facts about the applicant and for facilitating the appraisal. This form should list all the factors considered significant and a columnar scale be provided so that the applicant can be rated as superior, satisfactory, or unsatisfactory for each, since

the factors may vary in their relative importance with the nature of the jobs. The Sales Manager can reduce the bad effects of bias and superficial impressions by assigning different weights or values to each. An overall score can then be easily computed and used to facilitate and support the final decision.

Training Salesmen

The point was made in the section on salesmen selection that a sales force tends, like equipment, to depreciate if left alone and production efficiency taken for granted. This axiom has even greater force in a discussion of sales training. In fact, a training program should reduce the personnel turnover incident to resignations and dismissals arising from salesmen incompetence and, thereby, make resort to the selection process less frequently necessary.

Few shettered workshops will find it economical to retain professionally competent assistance, so the training task will normally be the Sales Manager's responsibility. A lack of time and teaching ability may be formidable obstacles faced by many sales managers in setting up and operating a training program, but careful planning in determining specific objectives, content, and teaching methods and in evaluation procedures can overcome them to an adequate degree.

Training Objectives

The fundamental objectives of a sales training program are more sales, less expense, and improved overall results. Specifically, training is aimed at increasing sales volume through more sales of high profit items to a larger number of users, retailers, and wholesalers; lower expense as a result of less direct selling expense, smaller administrative costs, and reduced bad debt losses; and better overall operating results from a more effective use of advertising accomplishments, improved inventory turnover, a better reservoir of men eligible for promotion, and higher salesmen morale.

Content of Training Program

The basic subjects for sales training include product knowledge, workshop policies and procedures, and personal salesmanship. A job analysis and description, supplemented by some questioning of users, middlemen, and salesmen themselves, will be of great assistance in the determination of what specific matters should be included and the proportions of time and emphasis to be allotted each.

The product line of the typical sheltered workshop is not one requiring much technical know-how of the salesman; the number and variety of products are relatively limited so that there is little excuse for ignorance about them. The new salesmen should normally be familiar with the products from personal observation or experience but, if not, his deficiency can be corrected quickly and easily with possibly two exceptions. The area of new uses for existing products, with or without modification, may warrant some special attention both informationally and in suggesting techniques for discovering them. The other exception lies in the sale of workshop services through subcontracting or other means. Product policies and subcontracting are discussed elsewhere in this handbook, but a comment is in order here--negotiation or bidding for service contracts usually requires talents ordinarily beyond those possessed by the regular salesmen and, in consequence, the Sales Manager usually takes the responsibility.

The sheltered workshop policies and procedures are, or ought to be, set down so that the salesmen can become familiar with them by reading. Any needed explanation or interpretation can be supplied by the management in a short conference. As a part of this phase of interaction, the new salesmen will benefit from a discussion of the workshop's history, organization,

and production practices and capacity. Salesmen in the field and calling upon prospects are representatives of the workshop and should be able to talk intelligently about any phase of its operation.

Not much honor is paid any more to the expression that salesmen are born and not made. Congeniality, a nimble tongue, and ready wit will always be helpful attributes in the sales profession, and a man who enjoys imparting information and practicing the arts of persuasion probably has a real advantage over one who does not, but these talents alone are not enough today to assure sales success. On the other hand, deficiencies in these respects do not deny the opportunity for proficiency in salesmanship.

Applicants for sales positions come equipped with varying degrees of training and experience, not all kinds of selling require the same amount of preparation, and, at any one time, the members of an existing sales force differ in their need for refreshment on how to conduct effective sales presentations. However, any sales training program is incomplete unless attention is given to the recognized stages in the sales procedure--prospecting for new customers, getting and opening the interview, making the sales presentation, handling objections, and closing the sale.

Selection of Training Method

There are many teaching devices to choose from, but the Sales Manager will find the choice fairly limited once the kind of material to be presented is known. Lectures, discussions, demonstrations, role-playing, and on-the-job training are commonly used for sales training; each has its advantages and limitations.

The lecture method is probably the least effective but is used more generally than it should be because of the simplicity of its use and, to

some extent, because it tends to exalt the ego of the lecturer. A lot of material can be covered in a short time by lecture, and this factor does justify its use for introductory portions of the training program subject matter, for providing background facts and data of a non-discussional or undemonstrable character, and for correlating the various facets of the program--particularly for the benefit of a large group of new and inexperienced salesmen.

Discussion is an effective method for a group in the size range of from ten to twenty that has had enough exposure to the discussion subject matter to permit intelligent participation by all the members and if under the direction of a leader whose position or reputation gives him the respect and attention of the trainees. In the absence of such control, the sales training discussion tends to drift quickly into an argumentative "bull session" with little accomplished but a waste of expensive time. A variation of the led discussion is the panel method in which the discussion is conducted by or through three or four persons competent in the subject field before the training group with opportunity for questions from the floor.

Demonstrations are particularly effective in showing how to do something which resists description. In the simulation of an actual sales performance by a well-rehearsed team representing the salesman and the buyer, the trainees learn by example. Almost any selling situation can be staged and the distinctions between good and bad practice impressively portrayed. Group discussion following the demonstration will improve the learning process.

Role-playing is best used at a late stage in the training program to give the trainees an opportunity to apply their instruction in a situation

that is realistic but under conditions where mistakes are not fatal to a business deal. Trainees may be assigned to play both the salesman and the prospect, in which case the trainer acts as a director with the responsibility to interrupt the action for comment or criticism if desirable, to keep the sales process "on track," and to summarize the noteworthy features of the performance at its conclusion. In some cases, the Sales Manager may prefer to take the part of the prospect, but this requires extra care to avoid overdoing buying resistance or overacting generally. The limitation of role-playing to trainees will ordinarily produce a more natural prospect-salesman relationship and be much more convincing to the participants and observers.

As might be expected, role-playing is likely to be more effective with new recruits than with experienced salesmen, and it will require a number of performance participations by each trainee to provide adequate exposure to selling techniques.

It is possible to train salesmen by exclusive reliance upon the "on-the-job" method; this may be the only appropriate device for the small sheltered workshop with but one or a few salesmen. When a more ambitious training program can be conducted, on-the-job instruction is best used as the final stage. If carried on completely apart from any preliminary exposure to the principles and practices of salesmanship, on-the-job training may become a "sink or swim" experience at an unreasonable cost to both employer and employee.

In this method, the usual procedure involves joint calls upon prospects by trainee and trainer during which the new salesman first listens and observes and then, in succeeding calls, gradually increases his participation

until he is carrying the full load to the trainer's satisfaction. Coaching before the calls and "curb-side" conferences after the completion of the sales efforts should be used, respectively, to adequately brief the beginner and to analyze the factors that were responsible for success or failure.

It will be apparent that the effective use of this method requires considerable advance planning with respect to the selection of appropriate prospects, arranging a diversity of experience, choosing the trainer, the pre-call briefing, and the post-call review. On-the-job training is most effective when it is possible to use a senior salesman who has some teaching competence, one who is more than willing to undertake such a responsible assignment. If such a man is not available, the method loses much of its force since no one else, not excepting the Sales Manager, unless he is also a first-class practicing salesman, is likely to have all the qualities and attributes peculiarly essential in providing the proper combination of realism in the sales situation, familiarity with the factors making for sales success, understanding of the new man's reactions, and the patience and sympathy required to properly mix praise, warning, and censure.

Evaluation of the Training Program

The Sales Manager of a sheltered workshop does not ordinarily have the funds to spend on continued experimentation with sales training. He has to discover, rather quickly, whether his chosen method is producing the desired results. The evaluation is difficult at best due to the impact of so many irrelevant factors upon the new salesman's short-time record, but the best yardsticks for measurement may be found in the earlier mentioned objectives of a training program. If sales volume increases as sales-costs-per-dollar-of-sales decline, no other justification may be necessary. The Sales Manager

will want to look beyond these criteria, however, and examine the salesman's performance as to gross profit on his sales, volume in relation to territorial potential, proportion of business done in high profit items, selling expense ratio to sales, prospect coverage, new accounts, and other measures including the salesman's morale.

Compensating Salesmen

The determination of a sound compensation plan for salesmen is one of the more difficult tasks for which the Sales Manager is responsible. This may not be so much due to the lack of suitable plans as to the confusing variety available. The sheltered workshop, as a special type of small manufacturing establishment, suffers from the general compensation problems peculiar to small companies and, in addition, finds the solution complicated by the unique character of its own objectives and essential policies.

Any compensation plan for salesmen has two phases. The first relates to the level of earnings or the total amount of money that the salesman can earn in a period of time; the second is the method of payment or the manner in which the income is earned and paid.

Level of Compensation

Ideally, the salesman's compensation should be at a level which attracts and holds the type of salesman needed to perform the task set forth in the job description. It should be enough to stimulate his most effective activity but no higher than necessary to accomplish this objective. Such a happy result is seldom exactly attained except by accident, and if at any one time this is the case, the odds are that the dynamic character of business change will require adjustments and readjustment with probably no one ever being completely satisfied.

Several devices are in use by sales managers for determining compensation levels for salesmen; some are more theoretical than realistic. In the final analysis, the Sales Manager will find his best guide in the range of incomes earned in comparable sales jobs in his own community or region. Contact with sales managers of local small manufacturing plants or wholesaling

firms, conversations with salesmen selling comparable lines, and interviews with salesmen applicants will be suggestive. The amount finally determined should have a reasonable and justifiable relationship to the compensation paid other workshop employees. If it does not, internal friction and loss of morale will be the result. Underpayment will be an obstacle to the hiring and holding of the desired type of salesman, and overpayment is wasteful.

The level of compensation paid salesmen will be somewhat affected by the unique character of sheltered workshop products and by the selling method used.

The average individual, particularly the household consumer, has a relatively low resistance to the sales approach made for sheltered workshop products, and his sympathy for the handicapped worker is great enough to broaden his buying motivations and make the sale more easily accomplished. This situation permits the use of less capable or physically handicapped salesmen and provides values to the employee which are not measurable in dollars. In consequence, the level of income paid particularly to house-to-house handicapped salesmen need not be as high and, for the long-run point of view, probably should not be. These comments are not nearly as applicable to the sale of workshop goods to professional buyers or purchasing agents.

Another factor which affects the level of monetary compensation is the extent and character of "fringe benefits" provided employees by the sheltered workshop. To the degree that hospitalization and group life insurance are provided, free medical service extended, retirement programs supported, paid vacations granted, and liberal travel expense authorized, the level

may be proportionally reduced.

In the likely event that, once under way, the compensation level is found to be out of line in general or in specific instances, prompt adjustment should be made but only after all the factors involved are given careful consideration. Needless to say, the salesman or salesmen should be fully informed at all times.

Method of Compensation

It has been said that there are almost as many different methods of compensation in use as there are sales managers. This exaggeration makes the point that sales managers and salesmen are seldom satisfied, both and at the same time, with the method in use. There is no perfect plan, but the best plan is one that achieves a balance between incentive and control. There may well be different methods in use among sheltered workshops and within the same organization. For example, some kinds of selling are little more than automatic order-taking while others require the exercise of the highest quality of sales ability. Incentive pay should be large when there is a direct relationship between the salesman's effort and the sales goal. Other types of selling require the salesman to spend a large part of his time on indirect selling or non-selling tasks. In these cases, and particularly when the Sales Manager wishes to "juggle" the salesman's time among different kinds of activity, the salary should be a larger proportion of the total income.

The straight salary is the "control" method of payment. The same amount is paid regardless of the sales volume on salesman's activity. The straight commission is the "incentive" method. The amount of compensation paid is proportional to the dollar volume produced. It may be noted, in

passing, that the salary is a direct sales expense that must be paid regardless of workshop earnings, whereas the commission is not earned and does not have to be paid unless and until sales are made from which, presumably, funds become available for such payment.

Since most sales managers believe salesmen work most effectively under some control and with the incentive of earnings proportional to effort, a combination of salary and commission is the most common compensation method in use. The shares of each in the total will be a matter of judgment and experimentation in order to maximize the advantages of each. Most current combination plans provide about 60 percent of the total income by salary. Some sales managers argue that the base salary should correspond roughly to the salesman's normal family living expense so that he will have a sense of financial security independent of his current sales production. The balance should be in the form of a commission and at a rate which, when multiplied by his expected sales volume, will yield enough more to bring his total earnings to the desired point.

One of the major advantages in the use of the commission method, alone or in combination, lies in its flexibility. The sheltered workshop seldom has either the funds or the assurance of stability in sales volume to permit regular outlay for salesmen salaries. The commission expense will vary with the ability to pay it. Furthermore, it will be found that by varying the commission rate and the basis upon which it is paid, flexibility can be secured in the sales emphasis. Products differ in the quality and intensity of selling effort required, the potentials in the sales territories may be different, certain kinds of customers may be more desired than others, and all salesmen do not have the same earning capabilities. Adjustments in the

commission rate may prove to be an easier solution than attempts to alter the basic conditions.

There are other forms of incentive compensation than the commission, such as a bonus, profit sharing, stock purchase options, and the point system but, of these, the latter appears to be the only one worthy of consideration by sheltered workshops. In the point system, compensation is based, all or in part, upon the payment for the performance of specific sales tasks for which the salesman is credited a certain number of points as fixed for each activity. For instance, one point may be given for each dollar of sales of easily sold products, two for hard-to-sell (or more profitable) items, two for items being closed out, one-half point for each call, one for each point-of-purchase display set up in a retail outlet, and so on. Penalty points may be charged for customer complaints or violations of sales policy or regulations. A money value is established for each point and the salesman's earnings are computed in terms of net points earned.

Theoretically, the point system provides a stimulus for a well-rounded selling job with the opportunity always present for the Sales Manager to change the emphasis in sales activity by simply altering the schedule of point credits. However, the method is not much used since it requires a great deal of reporting and record-keeping; too, dissatisfaction tends to become chronic over the evaluation of performance and determination of scores.

If a commission forms all or a part of the salesman's compensation, a written agreement should establish, among other matters, the conditions under which a commission is earned, the handling of split commissions where more than one salesman participates in a sale, and terminal compensation arrangements for salesmen leaving the employ of the sheltered workshop.

Supervising Salesmen

The supervisory functions of a Sales Manager are the day-to-day direction and control activities dealing with such matters as the administration of the salesmen's compensation plan, review and modification of sales territory arrangements, the approval of salesmen's travel and travel expense, and the appraisal of sales performance. Salesmen's compensation has been discussed in another section.

Sales Territories

If a sheltered workshop has but one salesman (who may be the Sales Manager), there is not much point in establishing sales territories except to define the geographical area to be covered consistent with convenient and economical sales solicitation and delivery or to avoid conflict with other sheltered workshops. Similarly, a sales force with each man calling on different classes of customers will present no serious territory problem; but, if more than one man is selling to the same kind of accounts, a definite market area should be assigned to each. Failure to do this leads to lost sales and higher selling costs through faulty coverage and wasteful travel.

Some sales organizations, rather than establish geographic limits, believe it better to assign each salesman a specified list of customers and prospects, usually of the same type and regardless of location, with instructions to cover the list and add new accounts of that type. Experience has shown, however, that salesmen tend to get business wherever it can be found, that account classifications do not impress them. The Sales Manager finds it difficult to refuse or to argue over bona fide orders even if they are received through the "wrong" salesman, particularly when the "wrongness"

lies in the interpretation of a classification that is increasingly more academic than real.

A much better plan for handling sales assignments is to hold salesmen accountable for attaining the sales potential in specific geographical areas. There will then be no question about coverage responsibility, and the best route and call frequency can be established and maintained. Control becomes more simple and effective with accompanying improvement in the opportunity for the reduction of selling costs.

The sheltered workshop Sales Manager should follow a few basic principles in setting up sales territories. Any one territory should be of a size and character that will permit the salesman to cover it efficiently by automobile or public carrier, to make the desired number of calls within a given time period, and to spend a suitable amount of time with each prospect.

Sales territories should be laid out along political boundary lines. While it is true that actual trading areas are much more likely to be natural sales territories, nearly all available market information needed for determining potentials is published for cities, metropolitan areas, counties, and states. The Sales Manager, in consequence, has to sacrifice some accuracy for convenience. Furthermore, the very term "trading area" is misleading since there is more likely to be a trading area for each kind of product than one for all. For example, the trading areas for clothing, furniture, household supplies and industrial sanitary goods are not the same nor can any one trading area be exactly bounded since buying habits create overlapping.

Finally, the Sales Manager should attempt to hold to the principle of equal sales potential among territories. Inadequate data make it difficult,

if not impossible, to achieve perfection in setting up equal territories, and market changes are so numerous that continuing review and adjustment are necessary to keep them approximately in balance. However, personal selling and promotional efforts will be facilitated and be more subject to control and salesmen will have less reason to offer sales potential differences as an alibi for below-average performance if territories are kept reasonably equal in sales opportunity.

Routing Salesmen

After the territory has been set up, the question arises regarding the manner in which it is to be covered by the salesman. Probably most salesmen prefer to route themselves, and experienced, successful men can be trusted to make their own decisions on this matter. If this is done, the salesmen should be required to make out a route list in advance, present a copy to the Sales Manager, and stick to his plan. Salesmen working away from the workshop on sales trips that prevent daily personal contact with the office should indicate on the route sheet the places and planned times at places when and where they can be contacted. City salesmen should telephone the office near midday for any special instructions or directions.

Routing by the Sales Manager permits closer control of sales activity, improves the apportionment of the salesman's time, and stimulates more thorough territorial coverage at lower expense.

Salesmen's Travel Expense

The employer should reimburse the salesman for his actual travel expense so that there will be an opportunity for neither profit nor loss on account of the travel required by the job. Justifiable and simple as this

principle may appear, its interpretation and application are other matters.

The sheltered workshop management may choose from a variety of plans for handling sales travel expense. The most simple method is to require the salesman to pay his own expense. It obviously requires an adjustment in the income to compensate for the financial burden. The amount should be the estimated total cost of such travel and will usually be spread over the year equally or made proportional to the rate of travel expenditure if a salary is paid. If the salesman is on a commission, the rate will be adjusted. This is not a common method as it has several serious objections. It forces the salesman to budget his finances (an activity in which salesmen seem to have little skill) so that he will not be caught short in periods of intense sales activity and, except for routine types of selling, neither the total nor the rate of expenditure can be forecast very accurately. A more serious objection arises from the tendency of the average salesman to curtail sales activity when he finds his expense exceeding the allowance or to attempt to realize extra net income by not spending all of the money included in his compensation check for estimated travel expense. In either case, sales will suffer.

The honor system is used principally to handle the travel expense of sales managers but may be satisfactory, as well, for exceptionally high caliber salesmen. In this plan, the sales expense report is submitted in total, without itemization, and reimbursement is made without question as long as the amount is obviously not excessive. The burden of expense reporting and review is minimal, but travel expense tends to be higher than necessary and control practically non-existent.

More commonly, salesmen are under either an itemized expense plan or

a flat allowance plan. The itemized or so-called unlimited plan sets no definite maximum on the total allowable expense or for any individual item. The salesman is required, however, to make a full detailed statement of exactly how much he spent and for what purposes. When receipts can be secured as for lodging and public carrier transportation, they must be submitted to support the expense claim.

The itemized plan permits flexibility in meeting unusual expense situations, and the salesman will be freed from anxiety about the inadequacy of expense reimbursement. On the other hand, management will find the auditing of expense accounts time consuming, the salesman has no special incentive to be economical, there will be some "padding" of expense, and the salesmen will complain about the reporting chore. Disagreement frequently develops over the allowability of unusual expense items or over the salesman's interpretation of the term "unlimited."

The definition of allowability is a vital and argumentative factor in the itemized or unlimited plan. There is little question about the employer's responsibility for the payment of lodging, food, and travel expense incurred while on the selling job. Beyond these items practice varies. Communication expense and the necessary field purchase of office supplies and stenographic services are usually reimbursable, but expenditures for such items as laundry, cleaning and pressing, shoe shines, haircuts, tips, and entertainment are much more commonly considered the salesman's own responsibility. The degree of limitation should vary with the character of the selling job. The sheltered workshop salesmen calling upon industrial or institutional purchasing agents to negotiate large-volume sales of goods or services will need a different arrangement from one applied to the route

salesman. The most significant action here for the Sales Manager is to select his plan or plans after careful consideration of all the factors involved in the sales situation and then stick to it until conditions change enough to warrant some modification. The salesman, of course, should participate in and be fully informed of the decision.

For more routine or predictable sales operations, the flat allowance or limited plan is appropriate. This method either sets a maximum total daily expense allowance or fixes a top limit on the expenditure for each allowable item. Thus, the salesman may be permitted to spend, however he sees fit, a total of $15 per day, or he may not be reimbursed for lodging at more than $8 per day, with similar limitations being placed on other individual items. Payment to the salesmen may be on a flat per diem basis with no expense report required, or the reimbursement may be for the amount claimed on the expense report--not to exceed certain set limits.

This system has the advantage of easier budgeting and auditing but requires constant attention to changing costs for travel if it is to remain realistic and acceptable to the salesmen. The built-in inflexibility of the flat allowance plan provides expense and sales activity control since the salesman departs from the norm only at his expense. This plan is generally appropriate for the sheltered workshop "city" salesmen calling upon local prospects.

There are other expense reimbursement plans in use, but they appear to have little relevance to the sheltered workshop except, possibly in some instances, the expense quota method. In this, the total allowable expense may be set in terms of a percentage of net sales. If, for example, it is estimated that travel expense should average about 5 percent of net sales,

the salesman would be paid at predetermined intervals an amount computed at 5 percent on the preceding periods' net sales that he secured. The frequency of payment will be determined by the regularity of expense occurrence.

This plan provides a means of closely relating sales expense to sales volume and makes the salesman extremely expense-conscious, for better or for worse. It rather ignores the long-run relationship of sales volume to sales effort and tends to orient the sales program to the past rather than the future.

If salesmen are paid under a commission method, a recurring problem attends most of the expense plans and usually requires some disposition. If the salesman has limited means or faces the prospect of heavy expense before reimbursement, some advance payment may have to be made. This situation can be met by the use of a drawing account plan in which a fixed sum is advanced to a salesman weekly or monthly so he may draw money as he needs it up to a definite maximum. The amount drawn is paid back out of the salesman's commission earnings.

If used by the sheltered workshop, care must be taken to convince salesmen that the drawing account is a loan and not a salary advance. Advances should be limited to amounts that can be recaptured from short-run commission earnings and should not be allowed to accumulate for longer than three months.

Rather than assume the rather considerable bookkeeping job or the risks of non-payment, many sales organizations prefer to supplement a commission with a small base salary.

Travel Method

If the sheltered workshop salesmen use their own automobiles for sales travel, a special problem arises with respect to expense reimbursement. Several plans are available for its solution. In one, the fixed allowance plan, the salesman reports the total mileage completed on workshop business and is paid a flat rate per mile traveled. This is simple to compute and to budget, but the proper rate is difficult to determine accurately; and unless the routes are identical in character and the same type and age of car is driven in the same fashion by all, inequality is bound to exist in the coverage of the actual operating cost.

The other and preferable common plan is the flexible allowance plan in which the salesman is paid a flat sum per given period of time to cover the fixed depreciation, license fees, and insurance costs and a mileage allowance for the variable gasoline, lubrication, tires, and minor maintenance expense. In both this and the "fixed allowance" plan, the occasional expenses incurred for tolls, parking, and major repairs are listed separately on the regular expense report.

The average sheltered workshop has a small sales force and will probably find it unwise, if not impossible, to furnish automobiles to salesmen, to rent cars by the mile or day for them, or to engage in fleet leasing operations. In large metropolitan centers where public transportation facilities are adequate and taxicab service is a generally available supplement, their use will ordinarily be more economical than the financing of automobile operation.

The use of credit cards by salesmen for the purchase of their automobile operating needs with billing direct to the workshop will simplify

expense reporting and review and will provide data to improve the knowledge of actual travel costs in each territory. Adjustments may have to be made, however, for the salesman's personal use of the car.

SALES PROMOTION

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SALES PROMOTION

A seller's promotion of his products and services usually relies heavily on personal selling and advertising, but it often includes additional activities. These activities vary from seller to seller. Indeed, sellers do not agree on just what should and what should not be considered "sales promotion." Workshops, too, differ in respect to what they think and do about sales promotion.

Some rather common sales promotional activities are not appropriate in a workshop's total promotional program. These are omitted from this section. The activities included in this section can be used successfully by workshops, although seldom, if ever, would any one shop engage in all activities mentioned.

No workshop has a Sales Promotion Manager--and that is as it should be. Each shop must decide which forms of sales promotion it should employ; they will be the ones which make a net contribution to workshop success. Then, each shop must assign those activities to some person or persons who will be responsible for doing them or for seeing that they are done.

The purpose of sales promotion, as the term implies, is to increase sales volume, in the short run and in the long run. Five phases of sales promotion seem to qualify for the consideration of workshop executives:

Direct Advertising

Point-of-Purchase Items

Working With Retailers

Consumer Stimulation

Special Promotional Matters

Direct Advertising

Why is "Direct Advertising" put in this section on Sales Promotion rather than in the section labeled Advertising? And, really, does it make much difference? No, not very much. The differences between direct advertising and the other types of advertising used by workshops (newspaper, radio, TV, transportation, and outdoor) recommend that direct advertising not be classified with the other ones. These differences will be seen as our examination of the subject develops.

At this point, three terms need to be described so they can be distinguished from each other. Direct advertising goes from seller to buyer directly, making no use of such commercial media as newspapers or TV. Some direct advertising makes use of our postal facilities and is direct mail advertising. The rest can get from seller to buyer in various ways. A salesman can deliver it in person; some is on retail counters, available to shoppers; some is enclosed in packages or bundles; some is placed in or on parked automobiles; some is handed to individuals; some is distributed door to door. So, we have two of our terms cleared up--direct advertising and direct mail advertising. The third term is mail order selling. This is broader than advertising because it is a method of marketing products--the seller does the entire selling job without the use of any retailers, any salesmen, or any personal selling.

The rest of this first subdivision under Sales Promotion deals with direct advertising, mainly with direct mail advertising.

Forms

Direct advertising takes many forms. Cards, letters, reply forms, return envelopes, leaflets, folders, booklets, house organs, calendars, blotters, labels, stickers, and reprints are common. Even the outside envelope which contains these can and should carry some promotional message. (Incidentally, are your letterheads and mailing envelopes attractive and impressive? When was the last time you modernized them? Do they make maximum use of color and illustration? What sort of image do they build of you and your workshop?)

Mailing cards can do a good job for certain types of brief message. You can use one of Uncle Sam's postal cards--or you can design and print your own. Mailing cards are speedy, economical, convenient, versatile. However, the space is limited, the communication is not confidential, the card itself is seldom impressive.

Letters are widely used in direct advertising; they enjoy roughly the advantages of mailing cards and can avoid most of the weaknesses of cards. Letters are exceedingly adaptable. Advertising letters benefit to a significant degree from the high regard we accord personal letters; they move in to share some of the universal interest in personal mail.

Outside envelopes must not be ignored. Basically, these contain and transmit whatever you are mailing, but they can do more. They can use color for attractiveness and distinctiveness. They can make a bid for reader-attention with pictures, maps, illustrations, diagrams, and such. They themselves can carry important messages such as slogans, mottoes, or timely statements. They can even give piggy-back rides to seals, stickers, and promotional labels. Incidentally, the typed address is more successful

than paste-on mailing labels, handwritten addresses, and addresses stamped onto the mailing envelope by a plate.

Leaflets are simple and inexpensive, even when they make use of color and illustrations. They can be distributed alone, or they can be used as envelope stuffers and get a "free" ride with such items as letters and invoices. Leaflets can list product specifications, describe product features and satisfactions, even accompany one product and promote some other product in the line.

Folders are grown-up leaflets. They can be had in various folds, sizes, colors, and shapes. One workshop has designed an outstanding four-page folder describing the main features of the shop. This particular folder tells what the shop is, whom it serves, how it operates, what equipment and tools it has, what products it offers for sale, and the types of subcontract work it can do.

House organs can be classified as a type of sales promotional item if they are designed and edited for persons other than employees. The NIB News and the Newsletter of Opportunity Center in Wilmington, Delaware are examples of excellent house organs. Specifically, a house organ is a sort of magazine or bulletin, published regularly or occasionally, and distributed free. Its aim is to influence attitudes and actions favorably by sending out information and by encouraging goodwill. Many photographs and even more names and personal items contribute to the house organ's reader-interest. Editing is a difficult job. Typical editorial features are these: activities, goals, statistics, accomplishments, equipment needs, awards, pictures of shop, pictures of employees, news items about personnel.

Postal Class

Workshops have two classes of postal service from which to choose. First-class postage is speedy, enjoys prestige, gets attention, will be returned or forwarded--and is quite expensive! Third-class postage, the other option, is just about everything first-class isn't.

Advantages and Disadvantages

Direct mail advertising has several features of outstanding benefit to sellers. One, of course, is the seller's control of circulation; because he controls the mailing list, he decides who will and who will not be sent the mailing. A related plus feature is the personal nature of the communication; the typical mailing is addressed to a specific person at his own individual, unique address. Then, the message sent can be both personalized and confidential. Great variety and great flexibility can be had. Timing can be quite precise. And, if you want to measure the quality of your promotion, ask each addressee to get back in touch with you--then divide the cost of the mailing by the number of addressees who do!

Three handicaps deserve mention. Direct mail advertising is an expensive way to communicate with members of a buyer-group. Too, there is so much junky direct mail advertising that some individuals refer to all of it as "junk mail." Finally, unsolicited mail from strangers suffers from low reader-interest.

Uses

Here are some ways certain successful sellers use direct advertising. Do You? Should you?

To send out some news

To express appreciation for an order

To thank a customer for his payment

To handle a complaint

To answer a buyer's question

To whet a buyer's curiosity

To remind

To sell, actually sell products and services

To "lead" a salesman's call

To "follow up" a salesman's call

To keep in touch with buyers

To welcome new customers

To reopen inactive accounts

To direct attention to booklet or catalog

Mailing Lists

Unless your list is "right," your mailing, no matter how excellent, is doomed to failure. If a communication is to be a success, if it is to achieve the results it hopes for, then it must be sent to the "right" persons.

Where can workshops find mailing lists? A list of your customers can be a most valuable mailing list. Local directories, including, of course, the telephone and the city directories, can provide lists. Some shops are able to get certain membership lists (clubs, professions, religious groups, political groups, association rosters) and then use them effectively as mailing lists. A list of automobile registrations for your county offers various possibilities. Salesmen sometimes are asked to add names to lists.

The news stories and the want ads in your newspapers are potential sources of names. Even the visitors to your shop may be worthwhile addressees for certain purposes.

Getting a list, however, is not so serious a problem as is keeping a list current--accurate, complete, up to date. And, strong efforts must be made to stay accurate. Otherwise there is waste, loss of respect if mailings go to persons for whom those mailings are inappropriate, and less achievement per dollar of cost than there should be.

What can you do to help keep your mailing list up to date? You can periodically ask addressees to notify you if they change. You can correct lists gotten from directories when the next directory is issued. If you have salesmen, they can report changes which should be made. If you skim the daily newspaper, news items may tell you of changes you should make in your list. First-class mailings returned to you identify needed changes. If you send the same mailing to names on two or more lists, you may be able (and it is most desirable) to check one list against another for the purpose of seeing that no one person gets more than one mailing of one batch. If you send two or three identical mailings in the same mail to the same person, his impression of you can hardly be good.

Letter-Writing Suggestions

Because every one of you workshop executives writes many letters for many purposes, and because letters are such a prominent form of direct mail advertising, some ideas about letter writing are worth mention.

There are three basic forms of salutation, each of which is properly used depending on the circumstances. The one you undoubtedly use most often is the personal salutation. It looks like this:

Mr. George B. Brown
63 Oxford Street
Glen Ridge, N. J.

Dear Mr. Brown:

Occasionally, you may use the impersonal salutation, addressing your readers as "Dear Friend" or "Dear Customer."

The third form is the headline salutation. An example: "A Special Announcement from XYZ Workshop--for YOU."

Following the salutation comes the body of the letter. Here it is best to introduce one basic idea in the first few words and then stick to it. If practicable, these first few words should also (a) express courtesy and goodwill, and (b) promise some benefit, some advantage, some satisfaction to the reader. How long should the body of a letter be? One cannot say exactly. It should be long enough to do its job--and no longer. You should be much more concerned with holding the reader's interest and with getting him to think what you want him to think than with how many or how few words your letter contains. Incidentally, it has been proved over and over that persons will read long advertising letters--if the letters promise something those persons want. Use subheads if your letter looks too long.

The body of a letter should consist of short sentences and short paragraphs. Words, sentences, subheads, or figures may be done in a second color for attention, emphasis, and contrast. Avoid overused words and phrases ("Please be advised...," or "We beg to remain," or describing too many things as "terrific"). The body of a well-written letter is warm, human, sincere, friendly.

The final sentence or paragraph is the close. Here you tell the reader what you want him to do--and you would not be writing a sales promotional

letter unless you wanted a specific, favorable response. The minimum reaction you want is for the reader to reaffirm his approval of you, your shop, your merchandise, your services--for him to continue to hold you in high regard. If the reaction you want is physical and specific (a phone call, a written response, a purchase, a visit), be completely clear to the reader in telling him what to do, and make a strong urge for action.

What about a postscript? You don't have to add one of these, but you certainly can, on many occasions, do a grand job with a postscript. Sometimes, because of the circumstances, you are smart to do the postscript in your own handwriting.

Only one final thought remains, and it relates to the stationery your letters use. The best letter sent to exactly the right individuals will be handicapped if the letterhead and the mailing envelope look cheap and out of date. One of the determinants of a workshop's "image"--indeed--of your own "image" is the stationery you use.

Testing

The most experienced, successful users of direct mail advertising are strong on testing. Like them, you must always be moving in the direction of a more effective use of this type of promotion. Like them, you must experiment and then try to determine what is best for you. Trial and experience should be used in seeking answers to such questions as these:

When should you use first-class postage? Third-class?

Can "gadgets" (buttons, pennies, rubber bands) increase response?

What specific elements (letter, folder, reply card) should make up a mailing?

How close together should successive mailings be scheduled?

What mailings should be sent to home addresses? Business addresses?

Should reply envelopes be stamped with one four-cent stamp--or with four one-cent stamps?

Point-of-Purchase Items

Once upon a long time ago, many retailers may have done an aggressive job of selling merchandise to consumers. Few, however, do so today. Instead, retailers now expect more and more in the way of promotion from manufacturers. Some manufacturers go so far as to complain bitterly that the job of selling their products to ultimate consumers has been rolled back onto the manufacturers' shoulders by retailers. And it is a fact that many retailers look to their suppliers for pre-sold products to pre-sold customers. Retailers as a group certainly expect and do get point-of-purchase materials from manufacturers to help retailers move the merchandise of those manufacturers.

Self-service continues to grow in the types of retail stores handling your products. More and more different items are found in retail stores year after year. Consumers continue to be reminded in the store that they need to replace toothpaste, light bulbs, yes, brooms and mops. Consumers are not doing less impulse buying--maybe more. Workshop-made products have only modest advertising back of them if, indeed, any at all--yet they are in stores stocking Coca-Cola, Camels, Campbells, and Carnation. So? If your products move through retail stores, you cannot refuse to consider making available to those stores some point-of-purchase promotional materials.

There is a very limited amount of space in a store which can be given over to point-of-purchase items. There is great and fierce competition among manufacturers for that space. Each would like to "speak the last word" to a shopper who has money, has needs, and is in a buying frame of mind. This competition explains why the typical grocery store, hardware store, and drug store, for example, get far more point-of-purchase displays than it uses. This competition explains why your displays (a) must be good and, even then, (b) must be "sold" to merchants as deserving some of the limited display space those merchants have.

To have a successful point-of-purchase program is not easy. But, the rewards can be delightful, such rewards as better and bigger retail space for your merchandise, larger retail orders and inventories, more stores handling your line.

What P-O-P Is

The sales promotional area referred to as "point-of-purchase" consists of promotional items and materials found at, on, or in retail stores. Window displays and counter display cards are examples; other examples are the racks, boards, stands, containers, and bins that display merchandise for sale. Certain "service" items and advertising specialties can be properly classified as point-of-purchase items; examples are clocks, thermometers, napkins, ash trays, and book matches. Cut-away models, dispensing cartons, banners, posters, window strips, displays to go on walls or on merchandise--these are point-of-purchase.

Features of Good P-O-P Items

Two different persons must be kept in mind when point-of-purchase items are being designed. First is the retailer; unless he likes your items, he will not use them, no matter how good they are. Second is the ultimate consumer; unless she reacts favorably, your money was wasted.

What about the retailer? He wants items which are neither too large nor too small. He wants items easy to put together or to install. He wants them to stand up under the wear and tear they will get. He expects the item to be built on or to contain a big selling idea, one that increases sales. He will not use items unless they are suitable and appropriate for his store and for the merchandise involved. Items must be simple and powerful, bold and distinctive. Many should promote the sale of related products in addition to the manufacturer's own product.

The ultimate consumer expects the point-of-purchase item to tell her what she wants to know or what she needs to know or what she will benefit from knowing. Her attention and interest can be captured by color, shape, size, and design. She reacts favorably to displays which imply that the manufacturer and his merchandise are trustworthy. She wants to get her money's worth, she wants products which are good values.

Four P-O-P Ideas

1. Those of you who (a) sell merchandise to and through retailers who handle your products for resale, or (b) operate your own retail shops or stores dare not ignore nor underrate point-of-purchase promotion. It is a major promotional force for most shops in both groups, (a) and (b). What is needed is a program, well thought out, suitable, productive. This calls for continuous attention and concern, thought and interest, and, above all,

planning. Good management will not be achieved if point-of-purchase promotion is handled in a hit-or-miss, careless, neglected manner.

2. Always be on the prowl for promising ideas to experiment with and to incorporate into your program. There are many brains you can pick in this endeavor. Your board of directors may contain persons with point-of-purchase experience and knowledge. Competitors, sad to say, have brains; some of their materials may give you worthwhile ideas. Retail merchants, operating at the point-of-purchase, know many case histories--some outstanding successes, others failures. If you have salesmen or saleswomen, their ideas are worth soliciting. The trade association for the field (Point of Purchase Advertising Institute) functions, in one of its roles, as a clearinghouse of ideas. Finally, the printers and lithographers who produce displays and other point-of-purchase items are in a position to advise from experience.

3. Experiment until you have determined the best way to put your point-of-purchase materials into the hands of your retailers. Probably the least desirable distribution method is to bundle up a quantity and send it, unrequested, to each retailer. A practice more satisfactory in some respects is to ship only upon requests by retailers. Another technique with certain good points is to pack point-of-purchase items with merchandise ordered and send them together. Finally, if your shop has salesmen calling on retailers, those salesmen may be asked to deliver and even install certain items.

4. Try all the time to get the maximum amount of your materials used--installed and working in retail stores. Retailers get more point-of-purchase items for free than they use. Your job is to see that they throw

away, unused (and often unopened), very very little of what you supply to them. What can you do to curb the waste, the expensive waste found in this marketing activity? If you have salesmen who see retail merchants, those salesmen can "sell" the excellence and use of your program as and when they sell the worthwhileness of your product line. A second technique is to "sell" your point-of-purchase program to retailers through direct mail advertising, perhaps asking the retailer to order from you the items he will use. A third approach is to try to avoid mistakes in managing the activity, mistakes such as: (1) buying too much material; (2) sending a retailer too much; (3) buying and sending materials which do not fit retail needs; (4) buying and sending inferior items; (5) poor timing, sending the material too early, or too late; (6) trying for more display space than the retailer can afford to give your merchandise.

Working With Retailers

Within the area of sales promotion, many manufacturers make certain services and aids available to retailers handling the products of those manufacturers. The subsection just completed is, indeed, an example--retailers are given most of their point-of-purchase materials by manufacturers. Your workshops, as you know so well, are not completely like commercial manufacturers; they differ in various respects. One of these differences has to do with working with retailers. You, understandably, don't "work with retailers" to any great extent. That's the way it should be. So, there is no point in including here a long section on the subject.

A short section, however, is included, and it is justified on three counts. First, your competitors may be quite active in this area, and

everything they do tends to have an influence on what you do. Second, retailers who stock and sell your merchandise expect and get various services and aids from manufacturers whose products they handle. Third, there may be some working with retailers you should consider doing.

Salesmanship

Many manufacturers are concerned enough about the low quality of retail salesmanship in general (and it is low) to do something about it. And, many retailers in effect ask a manufacturer they buy from how to sell his merchandise to the retailers' customers. The area of personal selling, then, is one in which some manufacturers work with retailers.

How do they go about this? Personal contact between a manufacturer's salesman and key retail sales persons can be most helpful because of the influence the salesman can have on them. Retail sales personnel, understandably, will cooperate more with salesmen they like, respect, and look forward to seeing than with other salesmen. Then, a manufacturer's salesman sometimes demonstrates to retail sales persons how best to sell the products in question. This can be a most worthwhile way in which to work with retailers. As a final example, written information about merchandise and about how to sell it at retail can be placed in retailers' hands for the use and benefit of their sales staffs.

Advertising and Sales Promotion

Few workshops are in a position to work very much with retailers in the area of advertising. Certain manufacturers do undertake cooperative advertising programs with certain of their retail dealers; and, both the manufacturer and the retailer can benefit handsomely from joint advertising

in the retailer's market. You and your products benefit from being associated, in the public's mind, with well-known, well-liked retailers. But, your retailers had best look to commercial manufacturers for advertising advice and for advertising materials.

As for sales promotion, you may want to consider supplying certain of your retailers with: envelope stuffers, leaflets, booklets, or circulars. You might encourage those retailers to mail these items--to place quantities on counters for shoppers to help themselves from--or to include them when purchases are being wrapped.

Other Management Areas

In addition to salesmanship, and to advertising and sales promotion, there are other areas in which manufacturers work with retailers, particularly with small retailers. It is worth a moment to see small retailers as they really are. The typical small retailer has one or two points of competitive strength but several competitive weaknesses when contrasted with the large mass retailer--the mail order house, the department store, the chains, the supermarkets, and certain discounters. Most manufacturers sell the bulk of their sales volume to-and-through a large number of small retailers; those manufacturers need the continued existence and patronage of those retailers; those manufacturers feel a need to help so that those small retailers can stay in business.

These small retailers are important to most of you workshop executives. They will benefit from (and they will appreciate) any sound suggestions you can make about these general retail problems:

Location	Buying	Personnel
Layout	Pricing	Stock Control
Equipment	Display	Accounting
Organization	Credit	Records

Consumer Stimulation

We've already seen that some of the sales promotional activities of profit-making firms must be modified before use by workshops. After all, a workshop's circumstances, needs, and operations are not the same as for Kraft, General Foods, Heinz, or Glidden. As was true of direct advertising, of point-of-purchase items, and of working with retailers, adaptations must be made if workshops are to go in for stimulation. This is the big change: where such firms as Kraft and Glidden stress stimulation of the ultimate consumer--the housewife--workshops should usually aim whatever stimulation they attempt at business buyers and at key individual sponsors. And, incidentally, you should limit firmly the amount of stimulation you undertake.

Sampling

The essence of sampling is to make it easy for someone to try one of your products. If you need sampling in its simplest form, you would give one of your products to someone to use, to experience, to consume. You would be betting that the person will be so pleased that she (or he) will continue to use your product, buying it time after time in a regular manner. Sampling can be used to introduce buyers (a) to a new type of product, or (b) to a new brand of product.

Seldom is it practicable for a workshop to attempt to sample the general public of housewives. Sampling is more appropriate to business buyers (purchasing agents; retailers) and to key sponsors (mayors; dedicated, prominent social leaders). Regular sizes, free samples, and distribution by you or your salesmen seem best.

Premiums

Premiums, too, can be used to make it easy for someone to try one of your products, but the approach is different. The purpose of a premium is to make purchase of your regular product more attractive. A premium, thus, is a bonus or a bribe which sweetens the offer. The buyer gets it "free"--or is charged less than the retail market value for the premium. Sellers use premiums most often to get their products bought by more buyers, more often, more regularly, or in greater amounts.

The question of what makes an attractive, effective premium is impossible to answer in advance with certainty. Some selections succeed far beyond expectations--some flop. One possibility for workshops selling a line of products is to consider using one of its lower-priced products (let's call it product "A") as a premium for the purchase of "B"--one of its higher-priced products.

The most successful premium offers are almost universally publicized--heavily, too. All premium offers pose technical problems and physical distribution problems.

Contests

Contests are a third form of stimulation. Once again, the typical workshop is not well situated to sponsor consumer contests. You are in a

better position to design contests for (a) your salesmen (and this is a Sales Management matter) and for (b) retailers handling your merchandise.

Contests are run for many purposes. They pose as many or even more questions, such as these:

What should the contestants be asked to do?

How can fairness be guaranteed?

How long should the contest run?

What are most stimulating prizes to offer?

Will there be ill-will from contestants who lose?

What will be the total cost of the contest?

What about rules and judging?

Special Promotional Matters

There remain three sales promotional matters which must be mentioned--(1) exhibits, (2) special sales events, and (3) catalogs.

Exhibits

Various workshops have used various types of exhibits to advantage. Some exhibits tell the story of the shop; some display products made in the shop; some include both of these features. Some locations and circumstances demand temporary exhibits, but some can accommodate exhibits or displays for a considerable period of time. Some exhibits are designed just to tell a story and cultivate goodwill; some are designed to show prospective customers the workshop merchandise and permit those buyers to place orders; some are actual selling displays from which a customer can buy and take physical possession then and there.

Where might you place an exhibit to advantage? All these have been used successfully:

County and state fairs	Conventions	Business firms
International expositions	Meetings	Hotel lobbies
Government buildings	Schools	Trade shows
Retail windows	Hospitals	Theaters
Transportation terminals	Banks	Office buildings

Special Sales Events

Individuals and groups sponsor and conduct special sales of workshop products. A local woman who has a sense of social responsibility, who has much time, money and status, and who is a recognized leader can be a most successful sponsor. As for groups, these have done excellent jobs for certain shops: Junior Chamber of Commerce, Junior League, Scouts, Country Clubs, women's church groups, men's civic clubs, and women's auxiliaries of those civic clubs.

Individual sponsors usually stage sales in their homes or at their clubs. The event may include a tea; the sale may run for a week. Group-sponsored sales are held on special days in department stores, in supermarkets, in banks, in hotels, and at annual meetings of various organizations. Some sales events are pre-Christmas in nature.

Catalogs

The catalog is properly considered a sales promotional item. Because of its features and uses, every catalog demands careful planning and sound design. Your catalog is truly one of your salesman--a silent salesman, yes--but one that has a relatively long life and sells for a long time.

And, it need not be any more elaborate than a four-page folder with illustrations, descriptions, and prices.

Catalogs must be designed from the buyer's point of view. Above all, they must contain the information buyers want and need, and they must answer the questions which arise in buyers' minds. As you know, to buy something without seeing it is not easy! Illustrations must be realistic, and descriptions must be accurate, clear, and dependable. Changes are quite difficult to make--corrections of mistakes or changes in products or prices. So, you certainly try to avoid the need for any revision. Incidentally, price changes can sometimes be handled by (1) changing your discounts, or (2) printing prices on separate sheets rather than in the catalog itself.

Catalogs may be delivered by your salesmen, or they can be mailed to buyers. Persons to receive them by mail should be notified to this effect, by telephone call, by separate mailing, or by a cover note which accompanies the catalog.

SALESMANSHIP

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SALESMANSHIP

Salesmanship is the ability to influence human behavior. It is the skill which enables sellers to persuade buyers to make purchases. Salesmanship is an art--the art getting individuals to see situations as you see them, to feel as you feel about problems, to do what you recommend they do about solving those problems. It is the power to get buyers to accept you, your products or services, your suggestions. You who are engaged in workshop management must use principles of personal selling in just about every phase of your work. You must sell yourselves, your ideas, your convictions, your decisions, your programs. It is difficult to identify any outstanding leader who does not use personal salesmanship.

Nature of Personal Selling

The heart, the core of marketing is the moving of a satisfactory volume of goods or services at satisfactory prices, month after month. In moving their products and services, workshops rely more on personal selling than on all other types of promotion; that, of course, is the way it should be. It could hardly be otherwise because workshops typically sell against commercial, profit-making firms whose very existence depends on effective selling. You use salesmanship to sell a new product for the first time--and then you use it indefinitely to sell even after the product has become established. You use salesmanship to convert a prospective customer into a first-time actual customer--and then you use it indefinitely to keep that customer buying from you.

When used properly, personal selling brings about an exchange which benefits both buyer and seller. The salesman sells satisfaction--not sympathy. When a girl pleads with you to subscribe to a magazine so she can have a Hollywood test, when a member urges you to buy a ticket to a pancake breakfast because his church is sponsoring it, when a boy says you should buy a Bible so as to help him work his way through college--more begging is going on than selling. Workshops, like most commercial firms, must have repeated buying from customers. And you need to check only your own buying experience to be reminded that a buyer seldom returns to a seller even a second time if his first purchase were disappointing. No feature of buyer-seller relations is more basic than this: unless buyer B benefits from buying from seller S, he switches his business to another seller.

Regardless of other sources of money, the amount of revenue from selling merchandise and services is one important determinant of the shop's scale of operation, its production, its employment, its personnel, and its contribution to society.

The Job of Selling

In a very true sense, selling involves (a) a buyer who has a need or a problem, (b) a product or service which will fill that need or solve that problem, and (c) a salesman who knows how to sell (b) to (a). The act of selling calls for a salesman to show a buyer how and to convince a buyer that he will be better off if he buys what the salesman is selling. Selling, then, is the salesman's swapping some satisfaction to a buyer for some of the buyer's money; the salesman exchanges the proper

amount of satisfaction for the specific number of dollars the buyer pays. Without any question, in all selling there is no fact or concept more valuable, more essential, more universal than this: buyers do not buy products or services--they buy the satisfactions they get from those products or services.

One can separate service selling from creative selling. Service selling is serving buyers by supplying them with what they request. The salesman does no more than do what the buyer asked him to do. Much so-called "selling" in retail stores must be classified as service selling. Satisfactory marketing of workshop products and services demands more than service selling--it demands creative selling. Creative selling is active, not passive; it goes on the offensive rather than assume the defense; it acts rather than reacts; it sells in addition to serving. A salesman must do creative selling when he adds a new product to his line, or when he makes his first sale to a buyer who has been refusing to buy, or when he sells six dozen items to a buyer who should buy six dozen but who planned to buy only four dozen, or when he sells a $3 item to a buyer who asked for a $2 item.

One can learn how to sell successfully. True, some persons are more talented than are others, but if a person seriously wants to become a good salesman, he certainly can. Learning how to sell successfully is, incidentally, a never-ending undertaking. One just never gets to the place where he knows all the answers; he can't--the questions are always changing. Even the answers change, too. So, the correct assumption is that selling can and must be learned and that learning must never stop.

Selling is hard work. Many and tiring demands are made on a salesman. Difficulties confront him. Many interests clamor for the limited number of hours he has. Circumstances can put a strain on his morals. Joke-telling, partying, big deals, and unlimited expense accounts are for the movies and TV. Selling is the hard work of helping buyers buy more satisfactorily.

Description of A Salesman

The smart salesman bothers to see that his appearance is neat and pleasing. He develops and then makes great use of a warm, friendly smile. He develops a good speaking voice. He avoids physical mannerisms which hurt his selling (jingling the coins in his pocket, tapping fingers) and oral mannerisms (repeated clearing of throat, pitching voice too high).

As for basic personality, the outstanding salesman is noted for his optimism, his enthusiasm, his confidence in himself and in his future. Both his boss and his customers know him to be dependable and to have initiative. He is a good competitor, a good actor. The outstanding salesman is known for his tact and his friendliness. Buyers like to talk to him because he is a good listener.

Successful salesmen are good managers and good planners. They recognize time as their most valuable possession and budget it carefully. They make good health a habit. They keep records of their performances and of each customer; they study these records to learn where improvements are possible.

Men who just take buyers' orders rank lowest as salesmen. Men who go out and get buyers' orders rank higher. The top salesmen are those who go even further--they build permanent, loyal customers.

Salesmen Need Workshop Information

Every salesman needs to know something about the firm or organization for which he sells. So, men who sell the products and services of workshops need to know certain facts about their respective shops. Many buyers have never seen a workshop--indeed, will never see one. The only picture those buyers get of a workshop is the one they get from salesmen. In this sense, the salesman is the shop.

What should a salesman know about this subject? He probably should know the basic features of the overall workshop field--origin, number, types, objectives, and such. About his own shop he will be asked questions about its history, size, sponsorship, and personnel. Most important of all to buyers are shop policies which affect those buyers.

Salesmen Need Product or Service Information

"You can't sell it if you don't know what it is." How true! If a salesman is to be confident and enthusiastic, if he is to sell each buyer the products or services that buyer should buy, then he must certainly know what he sells. General information about products includes such items as product history, raw materials, manufacturing processes, standards, inspection, and related products. Specific information includes physical features, elements, and parts; items in the line; prices, discounts, and terms.

Without any question, one of the most important aspects of product information is the difference between product-features and buyer-benefits. Salesmen need to know both, and they need to understand the basic difference separating the two groups. A product feature is a physical part of or fact about the product. A shirt made of drip-dry material, an automobile with a padded dashboard, a salt package with pour-or-shake top--these are product features. Because of these features, the products deliver buyer-benefits--the shirt requires no ironing, the dashboard gives added safety, the salt package is convenient to use. Thus, a salesman must know his products' features and the benefits, utilities, advantages, and satisfactions those features supply. Buyers buy benefits--not features as such.

Salesmen Need Buyer Information

"You've got to know your buyers if you're going to sell to them." This, too, is true. And the first phase of learning about them is called "qualifying the prospect." There are many, many buyers on whom the salesman should spend no time--he should not try to sell to those buyers. There are, of course, buyers to whom the salesman should try to sell his products or services. Take a salesman selling to grocery stores or hardware stores. In his territory there will be some grocery stores or some hardware stores on whom he should, for various reasons, make no calls. The other grocery or hardware stores do qualify as prospects and their business should be solicited.

When does a buyer qualify as a prospect? In most cases, he needs to qualify on three counts--need, finance, and authority. The salesman

poses three questions and, if the salesman can sincerely answer each with a "yes," then that particular buyer qualifies as a prospect for that particular salesman. Here are the salesman's questions:

1. Does Buyer B stand a good chance of being happy over the purchase he would make from me? Does he need--can he use--my product or service?
2. Can he finance the purchase? Does he have the cash or credit required? Can and will he pay?
3. Does he have the power to decide to buy? Is he authorized to make this type of purchase? Can he buy without consulting anyone?

Once a buyer has been qualified as a prospect, then the salesman begins to collect information about him. Both personal and business facts are helpful if the buyer is a purchasing agent, a wholesaler, or a retailer. Personal information includes such items as name, family status, age, background, job, social circle, interests, and hopes. Business information includes such items as company name, type and size of business, personnel, policies, competition, potential volume for the salesman, present practice about the salesman's type of product, and application or uses of the salesman's product. Particularly will the salesman want to know enough about the buyer and his circumstances to be able to "tailor" his recommendations, to know exactly what products or which services each individual buyer should buy.

Sources of buyer information are: the buyer himself, his acquaintances, his fellow workers, non-competitive sellers who sell to him, his

customers, his competitors, previous experience with him, rating agencies, newspapers, and observation.

Customers die, fail, retire, move, switch to some other seller, and, in other ways, too, cease to be customers; they quit buying. So, salesmen must always be prospecting--locating and qualifying new prospects--converting them into customers to replace lost customers. Some workshop managers scan the "Help Wanted" ads in their local newspapers to see if workers are wanted to do jobs the workshop can do. Other managers look for news stories announcing the awards of prime contracts--then try to get a subcontract from the prime contractor.

Consumer Motivation

Because a consumer's motivation controls his buying decisions, motivation must be understood by salesmen. Each consumer has drives or urges which influence his attitudes and his purchases. Each consumer has many needs, needs cause wants, the urgent wants become strong, immediate desires. Each consumer spends his time and money in trying to gratify those particular desires which he believes will give him the greatest sum of personal satisfaction. Always he wants more--to have more, to be more, to do more. Always he searches for more satisfaction from what, to him, is an inadequate number of dollars. He does not have enough money to buy all he would like to buy.

Each consumer is selfish and self-centered. When a salesman tries to sell him something, the consumer asks, "What will your product do for me? How do I make out? Just what do I get out of the transaction?"

The only safe assumption for a salesman to make is that the buyer is not interested in the salesman, or in the salesman's firm, or in the

salesman's product. In addition, each consumer is an individual who determines what he wants from life. One wants the social whirl--his neighbor wants solitude; one wants to be a good golfer--his friend reads books; one plays it safe--another lives dangerously. So, consumer motivation in this light can be a bit complicated and confusing. The one safe and sure base on which every salesman can depend is the underlying fact that buyers are not attracted to products or product-features as such--instead, buyers buy gains, advantages, benefits, satisfactions.

A salesman hopes to set the buyer's motivation into action--buying action. He does this by matching the satisfaction the product delivers to the desire of the buyer. He excites strong motivation by presenting and stressing his product's strongest advantage. Some of the stronger desires of most consumers are for: approval, comfort, play and pleasure, safety, sex, superiority, survival, and welfare of loved ones. Fortunate is the salesman whose product delivers one or more of those types of satisfaction, because individuals spend many dollars to get them.

Plan To Do Five-Step Selling

To increase the odds of being successful, you should plan to move the buyer through the five steps which end with a purchase. First, plan to get and hold the buyer's attention; this is not easy. Some buyers are hostile, or busy, or uninformed, or prisoners of their buying habits, or skeptical, or not interested. Actually, some buyers are afraid to pay attention lest they buy.

Second, develop the buyer's interest. The buyer is interested when he becomes willing to listen to you, when he begins to wonder whether he

needs your product or service at its price. The buyer feels that you may be interested in helping him get more of what he wants.

Third, work to convert interest into desire. Plan to get the buyer to see his need, and then present your product to the buyer as the most desirable answer. Plan your sales story to make the buyer want what you recommend.

Fourth, strengthen the buyer's desire until it leads to conviction--conviction that he ought to make a purchase--the purchase recommended by you. In this fourth phase, the buyer agrees that he should buy; he sees your product as representing and delivering an amount of satisfaction equal to its price.

Fifth, plan to get the buyer to take action--to make a purchase then and there. Only if he makes a purchase do you make a sale.

Prepare For Your Sales Call

You are smart indeed to spend whatever time you should in getting ready for your next sales call. After you have qualified your prospect, then collect information about him that will be helpful. What information? Try particularly to get a line on his problems, needs, hopes, goals, and motivation. Learn what you must in order to be able to recommend specifically and correctly what the buyer should buy. Find out what you can about his personality.

The presentation you should make will benefit from careful preparation. You need a large fund of "selling" facts and information, a large number of reasons why the buyer should buy, and a list of the buyer-benefits you will promise. From all this material, outline the

presentation you think will have the best chance of succeeding, letting the buyer-benefits be the points making up the outline. It is smart to memorize the outline and even some of the sentences and phrases you know or think will be persuasive. Try to do some "tailoring" of the presentation you plan to make--personalizing it and individualizing it to a specific buyer. Always be prepared to make changes in the planned presentation after you get face to face with the buyer.

Your own attitude as you approach the buyer is important. Try to see things as he does--to feel as he does. Intend to make him feel important. Treat him as you would a king. Adopt the "you" point of view and plan to feature the buyer and his satisfaction rather than you and your product. A last-minute check of your physical self, your mental self, your equipment, and your planned presentation contributes to a confident attitude.

Start Your Sales Story Effectively

Once you are face to face with your buyer, your first job is to capture his attention. As we have observed, this is not easy. You have the same problem that preachers and political candidates, for example, have--you cannot influence a person unless he pays enough attention to grasp what you say.

How can you get a buyer's attention? Mechanical techniques are helpful. For example, show him something that features size, or color, or motion, or contrast, or intensity. Interest techniques are helpful. For example, make a statement or ask a question about his problems, achievements, goals, fears, or hopes.

Don't underestimate the importance of your "first 10 seconds" with the buyer and of your "first 10 words" to him. These often determine whether or not he consents to hear your story. You want the buyer to sense your confident, interested, and expectant attitude. You want to sense as much as you can about him and his circumstances. Above all, you want to interest him enough to make him want to hear more.

It is usually best to tell the buyer your name and the name of your shop. Your speaking voice should be clear and pleasant. Personalize your opening words if possible--the buyer is more favorably impressed by an opener which is tailored to him than by one which could be used on any buyer. Make the buyer feel important. Offer a benefit or an advantage promptly. Compliments and tactful questions, too, make good openers. Or, show him something, a new product, for example, if you have one. Probably the three worst openers are: "How's business?" "What's new?" and "Hot (cold) enough for you?"

You Need Five Affirmative Buying Decisions

When you get five "yeses" from your buyer, you make a sale to him, and until he makes all five buying decisions in your favor, he makes no purchase.

The buyer must agree to need. He must see his conditions as demanding supply or relief; he must see that he lacks something he should have; he must realize his circumstances could be improved. You must make clear to the buyer that he needs to do something; you must make him want to have more, to get more, to give more, or to be more. Some buyers know and admit their needs, other buyers must be shown their needs, shown by you.

A second buying decision involves product or service. The buyer must agree that your product or service is the best answer to his need, that it best supplies the satisfaction he desires. This product or service decision is closely related to the decision about need.

Another decision involves source. Buyers make purchases only from sellers or suppliers they approve of or at least find acceptable. Specific source could be the workshop itself, the individual salesman selling for the workshop, or the retailer who handles products made in workshops. Source can be a significant factor in a buyer's thinking. Prospects for the products and services of workshops will not become customers until and unless they feel that workshops are satisfactory suppliers of those products and services.

Fourth, there is the price decision. Your buyer relates the price you quote to the amount of satisfaction your product or service offers. He also relates that amount of expected satisfaction to the amount of satisfaction offered by other products or services costing the same. Agreement on this fourth issue means that the buyer feels that the price is in line with the satisfaction he will get. The price decision is very closely related to the decisions on need and on product or service.

Only one decision remains, and it involves time--the time to act. When the buyer makes this decision in the affirmative, he agrees that the time to buy is now, not later, and he makes a purchase which enables you to make a sale. As the buyer begins to consider this time decision, he thinks of reasons why he should buy then and there--and he thinks of reasons why he should not. If a buyer says "yes" to each of the first four but refuses to say "yes" to the time question, one or more of the

first four "yeses" was not genuine. When this happens, your only course is to check back on each of the four, identify the phony agreement, and do more selling on that particular point.

Promise - Prove - Ask

How should you go about winning the five buying decisions? The best plan yet developed consists of three steps: (1) promise an advantage or benefit, (2) prove it, and then (3) ask for action.

Why start by promising an advantage or a benefit? Because, as we have already noted, there is no truth more basic in all selling than this--buyers buy satisfaction, not products or services. When you promise an advantage you appeal to a buying motive, to the buyer's self-interest. You picture what the product or service does to and for the one who buys it. You emphasize the results of buying. You translate your product or service into buyer-satisfaction.

The promise of benefit should be specific. If possible, you should personalize it. Concentrate on one buying motive at a time (greater profit for a retailer, economy for a housewife are examples) until the buyer understands and appears to accept your claim. Try to have several powerful advantages for each buying motive you stimulate. The retailer's greater profit may be caused by: quality of product, appearance of product, generous markup, rapid turnover, or extra service the salesman himself performs. The housewife may enjoy economy because of the product's modest price, its efficient operation, its many uses, its safety, or its long life.

Where do you find the advantages or benefits to promise? A thorough study of buyers and a thorough study of your product or service are the best approaches.

In the second step, you offer proof to back up your promise. Buyers are skeptical, they need reassurance, they hate to buy from you in the sense that if they do, they cannot buy something else they want. And, realism forces us to admit that most buyers have heard some salesmen make some promises which were entirely too extreme, even untrue.

There are several types of convincing proof. If possible, you should take a lesson from automobile salesmen and perfect a demonstration of the product itself to use as one type of proof. Another powerful proof is the case history. Here you prove your claims to Buyer B by reporting the experience of Buyer A--a person remarkably similar to Buyer B. Buyer A eventually bought although he was not sure he was doing the right thing; he now is most happy that he did buy. A third type of proof is the testimonial. A fourth type consists of research findings. Finally, sometimes you simply sit down with the buyer, maybe with pencil and paper, and reason out as logically as you can what a smart buyer would do.

Promise--then prove--then, third, ask for action. What action do you want? Agreement. How do you get agreement? Simply by asking for it, all during your presentation. Here are typical questions the buyer can hardly answer except in the affirmative: You agree? That's worth getting, isn't it? You certainly want that, don't you? A 5% increase sounds good, doesn't it? Like it?

The way you present your promises, proof, and requests for agreement is most important. Words are your main tools, so choose them carefully. Delivery is so significant that many outstanding salesmen never outgrow the practice of rehearsing some before calling on large buyers. When rehearsing, these salesmen make certain to avoid mannerisms which would

distract buyers' attention--mannerisms such as shaking an index finger at buyers, tapping a foot on the floor or against a chair, overuse of a certain word, nervous coughing, adjusting the tie repeatedly, or pounding fist on desk.

Your sales presentation should be one of two-way communication because the more you monopolize the conversation, the less likely you are to make a sale. So, develop two arts--the art of listening and the art of asking questions. Several uses can be made questioning. It contributes to two-way communication by insuring dialogue; it provides you with information; it helps you recapture a buyer's attention when it wanders; it can get for you those essential agreements you must have.

Demonstrate Impressively

Practically all top salesmen rely heavily on demonstrations. They have learned that demonstrating can make a sales story stronger and can make selling more effective. Buyers, too, rely on demonstrations, finding them to be reliable proof, realistic when the buyer takes part, quick and easy to understand. So, demonstrate whatever and whenever you can, from opening to closing--show as well as tell.

What should you demonstrate? Work up a demonstration for each product feature of interest to buyers. For services, create or collect those visual aids appropriate--for example, charts, diagrams, drawings, graphs, letters, or photographs.

Demonstrations need preparation for the same reason that sales stories needed to be prepared. First of all, work up a plan which includes each phase of the demonstration itself. Second, set the time for

the demonstration and, if indicated, select the place where you will make it. If you are demonstrating a product, inspect it just beforehand to make certain it will do what you will be asking it to do. Prior to the actual start, tell the buyer everything he needs to know to get the most from what is to follow. Finally, prepare the sales talk, the comments and questions that should accompany the demonstration.

Here are some suggestions. Develop demonstrations which make your product or service look its very best. Be sure the demonstration is clear, natural, realistic. Get the buyer to take part, even if only a small part, if possible. Check with the buyer every now and then to make certain that he understands what is going on and that he agrees with the point being made. Don't let control slip from your hands into the buyer's hands. Finally, try to make the sale at the conclusion of the demonstration if that seems indicated.

Expect Objections

All salesmen hear objections from buyers. Why? Some buyers resist because they are ignorant, some because they did not understand the sales story. Habit can be strong enough to make a buyer reluctant to change his ways. Sometimes a buyer has a personal preference for some other product or for some other seller. Some buyers are afraid to buy.

Your attitude toward objections should be that of welcome. A buyer who talks is easier to sell to than is a silent buyer. And, an objection often indicates the buyer is interested. Objections can reveal something about the buyer's thinking and something about what remains for you to do. You hope it identifies the missing buying decision or decisions.

Even though you welcome objections, you will want to prevent them as effectively as you can; there will still be plenty of them. The best way to prevent them is to tell a complete, informative sales story, one into which you have built good answers to the most common objections you hear.

Should you deal with each objection immediately or should you try to postpone handling it? Probably the safer course is to handle them when they are raised.

How should you handle them? Do a product-demonstration if that will correct the buyer's faulty thinking. In certain other cases, a comparison of your product and a competing product will be effective. Guarantees, free trials, and case histories can be impressive. Occasionally you must admit ignorance on some point--but you can become informed before the next call. Probably the one most successful method is the "Yes, ...but" answer. For example, you could say to the buyer, "Yes, that is true for some buyers--but your circumstances are different." In this way you agree before you disagree.

Here are some suggestions. Make certain you understand just what the buyer's objection really means. Try to determine from it which buying decision is missing. Do some friendly listening and some friendly questioning. Don't magnify the objection. Above all, don't argue.

Close The Sale

Closing the sale is simply making a sale. In the closing stage, the buyer buys--or he refuses to buy. When you ask for an order or for a purchase, you are making a closing attempt.

There is no reason to fear the closing phase of the sales interview. The buyer would think it strange if you did not ask him to make a purchase. Certainly, the close is the acid test of salesmanship--it is there that you succeed--or fail in your undertaking. And, you must make the sale at a satisfactory price; you are not a salesman if you move merchandise or sign up subcontracts by slashing your prices to levels that are ridiculously low.

You have led up to the close by questioning the buyer all through your presentation. You did this to get buyer-understanding and buyer-agreement as you made your points and your demonstrations. You continue this questioning during the close. You will reflect much confidence and poise, and you will give the buyer all the reassurance you can.

When do you start to close the sale? Actually, you start closing at the moment you open the interview because every impression you make from that instant works for you or against you. Furthermore, you move toward the close as you move through your presentation. The close, thus, is not a separate, unique step.

All during your presentation, stay alert for closing clues. These could be questions: "When could I get delivery?" "Your guarantee is solid?" "I can expect you every other week?" Or, these could be comments: "Yes, that's good looking merchandise." "It is time I did something about that." "My present assortment is rather narrow." Or, these could be physical movements: The buyer could return his glasses to their case. He could nod. He could put out his cigaret in a manner that suggests he has just made a decision.

You should execute a trial close upon each closing clue, upon any enthusiastic agreement, immediately after a product demonstration that seemed to impress, and at any time you sense the buyer's desire to be strong. What is a trial close? It is an attempt to make a sale, an attempt that is foolproof and safe to make. If it succeeds, a sale and a purchase result immediately. If it does not succeed, you continue selling, usually knowing more about the buyer's frame of mind and his thinking than you knew before the trial close. The trial close is safe because it avoids the big issue--it asks which the buyer will buy, not if or whether he is going to buy. You offer the buyer a choice and don't care which choice he makes because every option results in a purchase. If the buyer backs away from making a choice, you are not barred from resuming your sales story.

Here are four oral trial closes: "You'll want these next week?" "Will four dozen be about right for you?" "What color assortment do you prefer?" "Which models will you want?" Here are two physical trial closes: Salesman says nothing about buying but opens up his order book and starts filling in the buyer's name and address; or, a retail salesperson starts to wrap the item the buyer has been examining.

There is no "magic moment" at which you must try to close the sale if you are to succeed on that call. So, it is usually wise to try several trial closes during each call, perhaps three, four, or even five. Always remember that early closing is desirable. It saves time, and it keeps you from talking yourself into and then out of a sale.

Is there a "best" way to close? Yes, close by offering the buyer a choice. Here are two examples: "What price (or price lines) do you

prefer?" "Mr. Smith, which do you think more appropriate for your needs, the red one or the blue one?"

Sometimes you can close by reviewing the five buying decisions and then offering the buyer a choice. Sometimes a summary of buyer-benefits makes a good close, followed by the offer of a choice. Whatever closing method you use, always have as your goal the closing of many satisfactory sales which will stay closed.

SUBCONTRACTING

SUBCONTRACTING

Wartime purchasing practice brought into general business usage a term that had previously been largely confined to the construction industry. Subcontracting is now a permanent part of the business vocabulary and refers to the action of a company engaged in production under a contract in subletting or "farming out" portions of the manufacturing process, usually of components, parts, or subassemblies, to outside firms. The prime contractor deals directly with the buyer of the end product while the subcontractor does not. Ordinarily, this practice is followed to speed up or expand production through the use of specialized facilities to supplement or take the place of work done inside the plant.

The term "subcontracting" is used somewhat loosely in describing sheltered workshop operation since it is applied as well to the quantity sale of products made to the buyer's order and according to his specifications whether or not it involves a manufacturing contribution to an end product being sold by the workshop's customer. The distinction in terms, or the lack of it, however, is less important than the fact that the practice affords the workshop an opportunity to enlarge its dollar volume and increase the number of persons employed since a substantial proportion of the so-called subcontract work requires hand work or simple machine operation.

The sheltered workshop Sales Manager, if interested in securing contract work, should either take personal responsibility for soliciting this kind of business or employ a person who has industrial selling experience, some understanding of production techniques, and the imagination

to visualize opportunities in the workshop and the community for the sale of production services.

Careful review of the contract award news on newspaper business pages, observant shopping of local business firms for products which obviously require a substantial amount of hand work in their manufacture, and calls upon manufacturers are devices for discovering prospects. The specific production services that usually are within the sheltered workshop capacity include the following:

Bench assembly - the fitting together of parts of an end-product component or subassembly.

Packaging - weighing, counting, boxing, bagging, and wrapping to package bulk quantities of parts into convenient units of issue.

Drilling, punching, and trimming.

Collating, folding, stapling, taping, gluing, and sorting.

Duplicating, envelope stuffing, and mailing.

Painting, cleaning, polishing, and finishing.

Inspection, particularly that requiring manual fitting, balancing, simple gaging, or high touch sensitivity.

Sewing, weaving, or caning.

Upholstery and furniture repair.

Disassembly for parts salvage.

Most contract or subcontract work with private firms is secured by negotiation. That is, the salesman secures an opportunity to quote a

price and, armed with a sample on specifications, the workshop determines a price, usually on a per unit basis. For instance, if the materials are supplied by the prospective customer and no special equipment has to be used, the workshop usually computes the price by adding the hourly labor rate, hourly overhead rate, and the desired profit percentage to get the total hourly cost and then makes a trial run under conditions as normal as possible to determine the average workman's net output per hour. The cost divided by the hourly output yields a price per unit.

Good business practice dictates that pricing should at least break even, but the objectives of sheltered workshops may justify quotations below cost in order to achieve the volume needed to provide employment for handicapped persons. The workshop should, however, know the amount of and reasons for the loss taken on such orders. Similarly, if occasions arise when the workshop can get contracts at a price appreciably higher than cost (and it can), it should be equally well informed as to the profit. Incidentally, some sheltered workshops maintain that negotiations for contract work should be conducted with top executives of prospective customers rather than with purchasing agents since the latter are likely to be overly fearful of poor quality and production delays.

If a contract or subcontract is secured, care must be taken to be sure that production specifications and standards are clear and explicit, beginning and completion dates definitely established, arrangements for materials, special equipment, inspection, delivery, acceptance, and payment set forth, and that liability is agreed on for insurance, permits and licenses, and safety regulations. The sheltered workshop might well

use the services of an attorney to be sure that the contract or purchase agreement adequately protects the workshop.

Most sheltered workshop customers for contract work encourage close cooperation between its own production people and those of the workshop with consequent improvement in the planning and procedures for satisfactory results. In the absence of such a relationship, the workshop may secure assistance on its problems from vocational or technical teachers in local schools or colleges. In some communities, sheltered workshops have found labor organizations very helpful in these matters.

Some resistance, as already mentioned, will be found among manufacturers to the idea of contracting with sheltered workshops for production services. A lack of quality control leading to a high reject rate is suspected; if materials or small tools are supplied for home-based work, theft is feared; and an occasional prospect will cite his willingness to face accusation of the exploitation of handicapped workers. The best way to dissipate these objections is to invite the complainants to inspect the facilities and practices of the workshop and to encourage their suggestions for improvement.

A more serious problem or obstacle to the adoption of contract work lies in the effect it may have on employment stability. Contract volume tends to be either a feast or a famine and the increased total annual business may not appear to be worth the economic and social disadvantages attending intermittent recruiting and dismissal flurries. Certainly complete dependence upon contracting subcontracting is dangerous. A considerable build-up of personnel and a substantial investment may have been made in supervisory people and special production accessory equipment

even if the customer provides materials and loans necessary meager equipment. If the workshop management fails to secure new business in time, the whole contract operation comes to a halt since production of the regular line can seldom absorb the new people or utilize the extra tools. This can be a major catastrophe if contract work has been allowed to become the main source of volume. For this reason, the sheltered workshop should normally seek contract work only as a supplement or complement to its usual operations and with full understanding of its limitations by both management and workers.

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